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Credit World



SEPTEMBER, 1941—Vol. XXIX, No. 12



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ONLY PUBLICATION DEVOTED EXCLUSIVELY TO RETAIL CREDIT

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Advertising



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National in Name---International in Scope

1. To encourage the broadest use of consumer credit consistent with sound business principles and the welfare of the community.
2. To protect the interests of credit granters and customers alike by obtaining credit reports on all applicants for credit, by reporting to the credit bureau unsatisfactory credit experiences and by declining to sanction unsafe credit risks.
3. To educate the public in the proper use of credit, as a relation of mutual trust, and to the value of establishing and maintaining good credit records.
4. To counsel and protect customers against the tragedy of going into debt beyond their ability to pay; to safeguard their credit standing by requiring payments according to agreement.
5. To cooperate wholeheartedly with other credit granters in matters of credit policies and credit terms affecting the business welfare of the community and the public good.

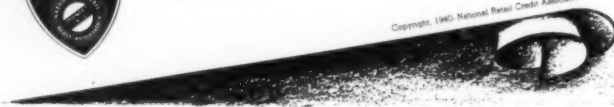
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INTERNATIONAL BUSINESS MACHINES CORPORATION



Installment Credit— What Is Its Future?

R. M. SEVERA*

As a member of the credit profession who is engaged in extending installment credit to consumers, I could summarize the position of the installment credit granting profession by likening it to the youngster who is about to have his incorrigible tendencies corrected by a good paddling in the woodshed. And it appears that the only way to avoid the paddling will be to convince the paddler that self-correction is a much more respectable and efficient, as well as less painful, method of arriving at the desired objective.

We are unquestionably on the threshold of the greatest defense program the world has ever witnessed—a mustering of economic forces for the purpose of turning out weapons and supplies and armies which will enable us successfully to pursue our course of fighting for the preservation of our democratic principles, and to aid in the salvation of the peoples throughout the world who wish to live in freedom. The function of retailing, which plays so important a part in furthering the welfare of the public in times of peace, must join with all of the other forces in these grave times, and bend every effort and make every sacrifice to insure a safe arrival at our common goal.

Increased Demand for Consumer Goods

We all agree that in our defense effort, the private consumption of goods will be in competition with the production of implements for the defense of our nation. Our army of unemployed is fast becoming a legion of producers in a frantic effort to turn out the quantity of goods necessary to give us superiority in the air, on land and on the sea. Industrial incomes are skyrocketing, and the purchasing power of the country in terms of dollars earned has risen more than 15 per cent inside of a year. This creates a demand for more consumer goods, and places industry in the anomalous position of attempting to satisfy two avenues of demand, both of which are abnormal. One or the other must give way, and there can be no question that personal sacrifice and self-denial by the people of our nation can be the only logical answer.

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 19, 1941. Mr. Severa is Cash-Time Manager, R. H. Macy & Co., New York, N. Y.

It will continue on a sounder, more closely controlled basis if its potentialities are developed and its limitations respected.

The discussions which have taken place in Washington regarding the methods to be used in curtailing the private consumption of goods in favor of defense, have produced various suggestions as to the restriction of consumer credit as a means of accomplishing this purpose. Most of the authorities we have heard on the subject have accepted some form of restriction as both logical and inevitable. Our association here adopted a resolution which has created a vehicle for designing a code of voluntary regulation by retailers, with the hope that this code, when completed, will be ratified and placed into effect by the government.

I had hoped that there would be no need for the imposition of sweeping governmental restrictions on credit in any form, because as credit men we know the value of a reasonably free hand in dealing with customers on a credit basis. During the first World War, the system of priorities placed into effect by the government insured a satisfactory flow of essential materials for the defense effort, and the same system is now developing in our present defense economy. Curtailment at the point of origin would appear to be a more logical and workable method than curtailment at the point of distribution. Credit terms actually play no part in creating a demand for consumer goods, although they unquestionably facilitate the satisfaction of an existing need or demand, and thus enable the demand to transfer itself into an actual purchase.

Breakdown of Terms

From the viewpoint of credit men, we know that the public has become educated to the use of practically any terms they might reasonably seek. According to surveys made by the Department of Commerce, automobiles have been sold on terms with extremes of 10 per cent to 40 per cent down, with monthly terms ranging anywhere from 12 to 36 months. Terms on furniture have run from no down payment to 33⅓ per cent down, with from 10 months to 36 months to pay. Refrigerators have been sold with no down payment up to 25 per cent down, and from 18 to as high as 36 months to pay. Radios have varied between no down payment and 25 per cent down, and from 6 months to 36 months to pay. These terms trends vary greatly in different localities throughout the country, although it is not unusual to find cities within 50

miles of each other with opposite extremes in terms. To establish sweeping term reforms by installing relatively high down payment requirements, and cutting down the credit term to half the time formerly allowed on certain types of articles, will naturally have a profound effect on the business done by the stores which have indulged in extremes in the past.

We can trace the devious course which installment terms have followed in the past to a variety of factors. First, we have the natural considerations, which include the stability or instability of employment in various localities, past collection experience, obsolescence of the merchandise sold, and attractiveness of terms to the customer from the standpoint of convenience of payment. But there are three other and more important influences which have unbalanced the terms situation, and which must therefore bear the brunt of the culpability for whatever undesirable results have followed. The first of these is the precedent set by the long terms introduced in the plans of the Federal Housing Administration, which plans must nevertheless be given a large part of the credit for having helped materially in bringing about what recovery we experienced from our major depression.

Business, following the precedent set by the government in needling industry by usurping some of the future buying power of the public to start the wheels of industry rolling again, continued the needling process on its own after the government withdrew. The second influence is the famous five-year plan which was introduced by the utility companies in the sale of refrigerators and major appliances. The third, and most blameworthy of all, is the competition in terms which merchants in various localities have engaged in to a degree which cannot be looked upon as healthful for retailing in general. Discretion was thrown to the winds in many cases, and little regard was had for the fundamental bases in which the roots of sound credit granting are implanted—the capacity of the customer to pay, and the maintenance of a margin of safety with respect to the life of the merchandise sold. In view of these conditions, we should welcome the opportunity which we will have shortly to evolve a plan which will result in a reasonable degree of stabilization of terms.

All Long Terms Should Not Be Condemned

I do not subscribe to the theory that we should condemn all long terms merely because the number of months allowed for repayment is out of line with precedent. I do not believe it is an evil to keep the public in debt over a relatively long period of time, provided the goods they have purchased will pay for themselves in convenience, the savings of time or labor, the improvement of morale, or by otherwise raising the standard of living of the consumer. We must not lose sight of the fact that, although our consumer debt may be approaching the nine billion dollar mark, most of this debt represents the investment of money in goods which are in existence and use. The basic principle of installment selling is sound. If it were not, installment credit would not have played the important role it has assumed in the retailing picture for the past twenty-five years. The merchant who sells an individual an automobile, a refrigerator, a set of furniture, or any other article and

permits him to pay for it over a period of time instead of requiring him to save up the entire sum and then withdraw the money from the bank and buy the article, is performing a valuable service, not a disservice, to the public.

If we examine the present situation closely, we will find that much of the present increase in buying may be attributed to the hysteria to which the public reverts every time there is a real or imaginary threat of a shortage of consumer goods. It is highly possible that we will experience a slight business recession after the present spree is over. Therefore, it behooves us to proceed cautiously and refrain from going to radical extremes in reshaping our policies and methods, many of which were conceived or designed during a period of depression when conditions were at their worst, and therefore could not be called the products of wishful thinking.

Effect of Personal Taxation on Installment Buying

Another factor which may have an important effect on installment buying in the near future will be the program of personal taxation which will be necessary to help sustain the defense burden. Next March, when the Federal income tax due date rolls around, the white collar worker will probably find himself in a position less fortunate than that of his industrial brother. The salaries of industrial workers rise in proportion to the accelerated production during periods of national emergency, but those of administrative personnel show only slight gains. Quite likely, we will find an increased demand for installment credit and cash loans next March, when the great body of office employees meet their increased tax payments and find their budgets depleted when they go to purchase their normal requirements.

Incidentally, there has been a tendency on the part of many of us to include in the field of installment credit only the function of selling merchandise directly to the consumer on an extended basis. We must not lose sight of the fact that the cash-lending agencies, consisting of the personal loan departments of banks, small loan companies, and sales finance companies, are all directly within the scope of installment selling. Whether the customer buys merchandise on credit, or borrows the money with which to pay cash, the credit principle involved remains the same. Therefore, whatever influences may be brought to bear against the retailing function, should also be brought to bear against the cash-lending function, if an equitable balance is to be maintained.

The Bubble Might Burst Again

Regardless of what our personal opinions may be as to the exact point at which regulation of terms should be fixed, we must all agree that during a high income period which will exist only as long as a state of emergency is in effect, the public should be educated to the pay-as-you-go method wherever possible, as an insurance against rainier days ahead. They should be warned against the mistake of pinning false hopes on the future, a lesson we learned after 1929. It is my opinion that the average customer is smarter than the credit man when it comes to determining his limitations with respect to both the amount he is capable of paying and the length of the credit term.

An examination of the monthly collection figures of the principal stores, as reported in *The CREDIT WORLD*, reveals an average collection ratio of between 12 per cent and 24 per cent of receivables monthly on installment accounts. Which means that the average payment period ranges from 4 to 9 months, and to my mind is ample proof that the average customer does not avail himself of terms extremes in the stores, and is just as anxious to rid himself of an obligation as the credit man is to collect it. The same principle applies to down payments. How many stores which advertise no down payments wind up the year with a ratio of down payments amounting to 20 per cent of their sales or more? Sometimes it is salesmanship on the part of the credit interviewer which accomplishes this result, but just as often the customer is ready, willing and anxious to make a sizeable down payment without any influence whatever.

During the period of emergency and defense economy, the task of our retail credit profession will be to set up proper standards for the evaluation of credit risks, from the viewpoint of the comparative permanency or lack of permanency of their occupations. Present status must be related to previous occupational history, current income compared with past earnings. The person whose job exists merely because of the defense program will be a potential collection problem when we again return to our normal economic pace. Conversely, we must recognize that the person who was employed five years ago in the same position he holds today, and will likely hold regardless of the future economic situation, is just as good a credit risk now as he was in 1940. Persons who are within the conscription ages should be called upon to discuss frankly the problem of what will happen to their obligations if they are called to the service, for it is dangerous to base an extension of credit on the hope of deferment or rejection. It is also better to impress upon the customer the desirability of postponing the purchase, than it is to carry an account subject to a moratorium, collection of which will depend on circumstances which will occur a year or more hence.

Credit Control an Inexact Science

Credit control is still a very inexact science. Knowing as we do that only by an accurate appraisal of the risk from the standpoint of his outstanding obligations against his earning capacity can we arrive at a proper estimate of the amount of credit to which he is entitled, it is unfortunate that our controls are still inadequate. There is a definite lack of co-operation, particularly in the larger cities, between the three sources of supply of credit, the merchants, the small loan companies, and the commercial or industrial banks. These three sources most often maintain independent, unrelated methods of credit interchange, with the result that there is no comprehensive way of detecting the true extent of the customer's commitments. The result is that frequently, customers build up an independent credit status with each of these three suppliers of credit, and thus pyramid their obligations to triple proportions without detection until after the damage has been done.

In this respect, the banks and personal loan companies are the more fortunate, because they usually require a written statement of the customer's outstanding obliga-

tions. Many customers who might fail to reveal other debts verbally will hesitate to sign their names to a false statement. The merchants, who are anxious to build and maintain good will with their customers on a permanent basis, bear the brunt of the losses caused by this lack of cohesion, because their customer interviews are brief and as painless as possible to the customer and they do not demand written statements of other obligations. This phase of our installment credit system will certainly bear some wholehearted study and thought in the future.

Further Expansion of Installment Credit

There are some among us who believe that installment credit has passed its peak, and that further expansion will be inconsequential. I believe that, as long as we continue to manufacture and develop articles and services of a sufficiently high unit cost to make installment terms attractive or appropriate, the possibility of further development of the installment principle will exist. The development of our nation has been marked by the constant improvement of the standards of living of its population, and we are still a long way from the point at which most of our families will possess the conveniences and reasonable luxuries which are symbolic of our progress.

Only at that point will we reach the saturation point of installment selling. Every year we see new fields open for the installment selling principle. Even the railroad and steamship companies have developed budget plans of travel. Medicine and dentistry have taken up the cue. The airplane industry may some day vie with the automobile industry in the sale of its planes on time payment plans. The soft goods field is relatively unexploited, although some success is being encountered with the idea that the average man can improve his well-being by purchasing two or three suits of clothing and budgeting his payments, instead of buying one suit and wearing it out before he can afford another.

There is another trend in the installment field to which we will have to give considerable thought and attention in the future. That is the tendency of the public, through its welfare agencies and its legislators, to take a vital interest in socializing the methods used in installment selling. In New York and some of the other states, this is already an accomplished fact. Regulatory legislation has been enacted which may serve as a model for practically every state in the Union. The public is becoming intolerant of unethical practices and abuses by unscrupulous dealers. They are demanding more equitable contracts and more readable contracts, free of complicated legal phraseology and within the power of the average installment buyer to read and understand. They want the accent placed, not on the repossession value of the goods sold, but on the nature of the credit risk. Legislation to accomplish these ends is likely to be an accomplished fact throughout the country within the next five to ten years.

Credit Policies of the Future

The job we must look forward to in installment selling in the near future is translation into action of whatever policies our representatives decide to adopt after con-

(Turn to "Installment Credit," page 25.)

No matter what happens . . .
we must go forward, not retrogress

It Can't Happen to Us

J. E. R. CHILTON, JR.*

Whether the credit bureaus of America will be able to meet the increasing demands by users of consumer credit reports is a question to which the credit fraternity is compelled to give serious thought. Shall we be able to cope with the problems resulting from the changes of kaleidoscopic nature which are affecting our industrial structure and which are taking place today with amazing rapidity?

During the last quarter century, consumer credit has become an integral part of the economic structure of our country. And today its control is a major concern of the retail credit granters of America. This has come as a result of numerous influences, such as: the marked growth of consumer credit during the last twenty-five years, which condition is being augmented steadily by the growing number of firms entering the installment field; the greater buying power of a large per cent of workers, due to larger pay rolls, as well as the increase in the number of persons employed in every section of the country; the Government plan of Selective Service by which men are inducted into its naval and military service; and the probabilities of active warfare, which necessarily involves the utilization of all the material and human resources of a nation and inevitably means the most extreme extension of the functions of government in every domain of activity.

New Importance of Credit Bureaus

As a consequence of this intensified need of control, credit granters logically have looked to the credit bureaus as the most important single factor in solving their problems. Thus, the bureaus have been taxed by unprecedented demands for all types of credit reporting service, and they have been required to enlarge their facilities at additional expense in order to meet these new requirements.

The extent of the present operations of the credit bureau becomes evident when we review a few of the facts concerning our industry. A recent survey made by the Research Division of our association shows that the Associated Credit Bureaus of America is a voluntary trade association of credit bureaus, whose functions are distinctly local in character but whose scope and coverage become nation wide through an interchange system of credit reporting on individual consumers by affiliate

bureaus. At the time this survey was made there were thirteen hundred fifty-three member bureaus who employed, exclusive of collection divisions, 8,507 full-time employees engaged in reporting activities. The wages in salaries received by these employees for the year ending April 30, 1940, totaled \$8,992,911.00. The value of equipment of member bureaus totaled \$2,693,450.33. And, moreover, not one item contained in the value of equipment is the value of master credit records. To estimate even a replacement cost in many cases would be impossible. Therefore, we have not attempted to place a value on the seventy-five million credit records that are housed in our thirteen hundred fifty-three bureaus. The total concerns served by these bureaus number 168,000 covering all lines of business dealing with consumers. During the twelve-month period of the survey, 53,709,839 credit reports were made on individuals.

Income Not Keeping Pace With Expenditures

While this survey is not intended to be inclusive, it indicates clearly the expanding activities of the credit reporting industry. Yet it is an expansion fraught with difficulties. One difficulty arises from the fact that due to the added costs of operating our business on a scale consistent with the progress of consumer credit, we have shown a decrease in net receipts rather than an increase which normally should be experienced through a greater volume of report sales. It follows that this condition is attributable to the fact that the revenue from the sale of reports is insufficient to cover the portion of the cost of operation that must be required of it.

Let us examine some of these operating costs which include: salaries, for which the bureau spends on an average of 62 per cent of its gross income; report fees average 10 per cent; telephone and telegraph expense, 10 per cent; rent, 3½ per cent; stationery and printing, 3 per cent; Social Security and Unemployment Tax, 2½ per cent; postage 1¾ per cent; and office supplies 1 per cent. The remainder of the expense—or 6¼ per cent—is divided between locate fees, property reports purchased, auditing, electricity, repairs, machine rentals, taxes, professional services, collection letters, advertising and promotion, office expense and other miscellaneous items.

Additional Employees Needed

Furthermore, under the newly enacted wage and hour law the bureaus have been required to employ an additional number of clerks with an increase in salaries for the new as well as the older employees, who are now

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 17, 1941. Mr. Chilton is Past-President of the Associated Credit Bureaus of America and Vice-President and General Manager, Merchants Retail Credit Association, Dallas, Texas.

being paid time-and-a-half for overtime. Another important item of expense is our Social Security tax, which, in the United States, is borne by the employer and the wage earner, as contrasted with the sounder English system under which the cost of the whole social insurance program is assumed largely by the Exchequer.

It may well be said that the credit record maintained by the bureau over a period of several years in reality denotes an investment of many dollars. This is understandable, when, in view of the facts just mentioned, we consider the outlay in making the original investigation, the cost from time to time in adding trade information and court items, the expenditures involved as each year the tax roll data and other pertinent facts are placed on the record. Many times the expense entailed in handling such a report for one request, whether it is given as a file report or worked as a special investigation, is but partially defrayed by the money received from its sale. Obviously in such instances as these, no return is had on the original investment. Too, even the history reports obtained on newcomers from other cities are available for the primary reason that the bureau provides the national association with funds to conduct a very necessary field service.

Expanded Activities

In the light of current trends, the points just enumerated become increasingly important, for we shall be impelled to expand our activities still further if we are to keep pace with the developments now taking place in our entire economic structure. For example, ten years ago Government agencies were not using the services of credit bureaus, but today, in the aggregate, they represent one of our largest users. Equally important is the fact that they are exacting in their requirements. And rightfully they should be. Nevertheless, the very fact that they do require extreme accuracy has shown us clearly that trusting a bureau with an investigation involving thousands of dollars' worth of credit is a chance not to be taken if the manager of that bureau does not know his business.

An instance of this nature was brought to our attention a few weeks ago when an executive of a banking institution came to one of our member bureaus and presented a list of seventeen persons who had defaulted on their loans that had been insured by the Federal Housing Administration. Immediately our member was told that the executives of the bank making these loans were sorry that the reports had not been rendered by a member of the Associated Credit Bureaus of America, because the reports they received from another institution were literally faked. Not only were improper investigations made on them, but a salesman's word was taken for the correct and verified information. Obviously, such a procedure results in losses to the users of the reports.

Need for Efficient Credit Bureaus

Now, what is going to happen to those loans? The answer is that they will be turned over to the Federal Housing Administration, which organization in turn will probably ask the Federal Bureau of Investigation to inquire into the operations of the bureau rendering these reports. Although the FBI investigation will likely disclose no collusion between the manager of this reporting

institution and the purchaser of the reports, the federal Government may charge the manager of the reporting bureau with criminal negligence. And while we know that the consequences of these charges are serious, the essential point is that we must evolve a definite plan by which incompetent bureaus are eliminated and all bureau managers will be trained in their work.

The obvious question one might ask is, "What action are we taking to bring about these reforms?" First, let us consider the factors that make it possible for irresponsible reporting institutions to exist. There can be but two reasons: The first is that the local credit bureau is failing to serve completely all lines of business which require consumer credit reports. The second is that some of the retail firms and other classes of business using consumer credit information are encouraging the formation of bureaus for their individual lines of business, instead of working towards the sane, sensible obligation of building, not tearing down, the central credit exchange that was organized and is operating for their benefit. In other words a great deal of the responsibility for the existence of irresponsible credit bureaus must be laid at the feet of the retail merchants of this country, who, in their demands for credit information at less cost, have constructed a Frankenstein in the form of inadequate bureaus. Still another fault of the merchants of some communities is that they have created but little incentive for the bureau manager to shoulder additional responsibility. Surely his material compensation should be increased proportionately as he develops the resources of the bureau he manages.

Plans Under Way

As a starting point towards our goal of intelligent development and effective management of bureaus, at our last annual convention, we of the Associated Credit Bureaus of America placed in operation an additional requirement for membership in our organization. This new requirement is in the form of an examination that must be taken by every manager of a newly organized credit bureau. Then after the applicant has met our definite and rigid requirements and passed successfully the examination, we investigate his integrity. In this way, we may succeed—and we believe we have been successful—in raising the standards of credit reporting among our member bureaus.

Also a plan has been proposed whereby a course in training will be offered bureau managers, to the end that the bureaus may be operated on more effective bases. Important, too, is the work that is being done by the Research Department of the Associated Credit Bureaus of America. This department, under the direction of a man trained in research, is supplying the bureaus with valuable facts about our business that guide us in making plans for the betterment of the credit reporting industry.

Long Range Program

While these are developments of great import in the improvement of our bureaus, they represent only the beginning of a larger program. In view of the trends which are influencing our economic condition, we must carefully examine all our problems and immediately set about devising means of solving them, without having dissension among ourselves. We must do everything in our

(Turn to "It Can't Happen," page 29.)

Enthusiasm— Makes the Goal

RALPH W. MATTHEWS*

It goes without saying that the collection departments of credit bureaus or their Collection Service Division affiliates are equipped to render to the retailers of the United States the most ethically operated, efficiently managed, and financially responsible collection service obtainable. Every credit manager who buys credit reports is vitally interested in whether or not his bureau operates a collection department, is affiliated with one, or has in its membership the collection agencies of the community.

It is an accepted fact that there cannot be credit control, that one cannot sell his customers on their ability to purchase on credit and pay according to agreement, unless all of the facts are presented in your credit report. When you purchase a credit report from any source which does not include the derogatory information of accounts placed for collection, you do not have all of the facts, nor do you have the complete report to which you are entitled when intelligently extending credit or rejecting the application of your prospective customer.

In communities where there is no credit bureau-operated collection departments, or collection agencies affiliated with the credit bureau, credit granters have a definite duty to perform. They should cooperate with the local credit bureau in organizing a collection department, and offer a collection service. Or the credit granters should list their accounts with an independent agency. Credit granters should be as much interested in organizing a responsible collection service as the credit bureau which reports accounts placed for collection to the Credit Reporting Bureau. By so doing it would enable them to control the flow of information of accounts placed for collection through the files of the bureau, giving them a complete picture as to applicant's liabilities as well as assets.

We who work in collections—that is, collection managers and collection-minded bureau managers—have no difficulty these days under our President's proclamation of unlimited emergency, in generating an abundance of enthusiasm for the job that lies ahead and for the opportunity to be of greater service to retailers.

Under the national emergency, with many men in all classifications of business being called to the colors and

others finding their places in defense industries, more and more will be the need for specialized services to business generally. Certainly nowhere will retailers require more specialized service than they will in the collection of their delinquent accounts.

There is not, to my knowledge, any other place where there can be obtained the type and kind of collection service which retailers need except in the collection departments of the credit bureaus or their affiliated collection representation. Our departments are equipped and ready to take over the entire collection problems, and collection-contact work for retailers, in their communities, during the national emergency.

By this we mean that through routing collection problems through a central clearinghouse and consolidating the number of calls that are made on any one delinquent account, our collection departments can do for the retailers of this country the collection job more efficiently, more satisfactorily and at less cost with 25 per cent of the personnel now required to do it, thereby releasing more men to the defense program.

The period in which we have entered is one in which businessmen of all classifications must be alert to new opportunities for service. Regardless of the classification of business under which they serve, ways and means must be found to fit their particular service into the National Defense Program. The collection profession has a definite obligation to the retail industry to adjust itself to fit into this new program.

We, as managers of collection departments and credit bureaus are interested particularly in retailing. It is certain that the retailer as an outlet for the manufacturer of consumer goods has a very vital part in National Defense; that is, to supply the consumer with merchandise of a necessary nature thereby sustaining public confidence and morale on the home front; and, placing their accounts receivable in a liquid state so as to better meet the adjustment which surely will have to be made following the emergency.

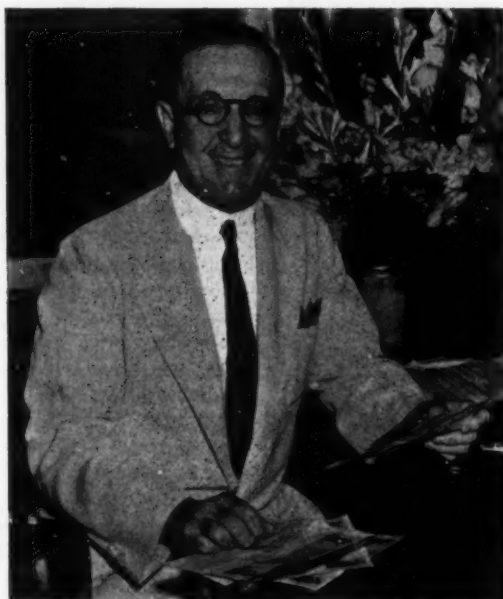
We in the collection departments of the credit bureaus affiliated with the Associated Credit Bureaus of America, working hand in hand with the members of the National Retail Credit Association, are confident of our ability to be of greater service today with a new interpretation on the meaning of service.

Faith and enthusiasm make the goal. Faith in the leadership of our representatives in high office—enthusiasm in the job to be done and our willingness to do it.

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 18, 1941. Mr. Matthews is Manager of the Merchants Credit Bureau, Battle Creek, Mich.

The Passing of a Friend

1879



1941

-- George A. Lawo --

George A. Lawo, President Emeritus of the National Retail Credit Association, died in the Baptist Hospital, Memphis, Monday morning, August 11. Several days prior to his death he suffered a cerebral hemorrhage.

An outstanding business man and civic leader in Memphis, he was one of the founders and Honorary President of the Memphis Retail Credit Association.

At the Detroit convention in 1920, after having held practically every office in and served on the most important committees of the National Retail Credit Association, he was elected its President. In 1934, at the Memphis convention, he was unanimously elected President Emeritus of the National Association.

Although born in New Orleans, he had been a resident of Memphis since a child. His first business connection was with the L&N Railroad and he left that company in 1910 to ac-

cept a position in the Credit Department of the John Gerber Company. His advancement was rapid and his ability as an executive became known throughout the nation. Subsequently he became Secretary-Treasurer of the firm and in September 1937 was elected Vice President and General Manager.

He was a golfer and a baseball enthusiast. One of his major outside activities was the Charity Fund of Memphis. He was a member of the Associated Retailers, the Rotary Club, and a life member of the Young Men's Institution, a Catholic group. He attended Sacred Heart Church.

George Lawo was a gentleman in every sense of the word, unselfish and considerate, a loyal friend, a faithful devoted husband and an understanding and loving father. He is survived by his wife and a daughter, two brothers and a sister. To them we extend our heartfelt sympathy.

Credit Department Letters

Aline E. Hower

The recruits were being given clothes and kits at the barracks. They were then paraded on the square for the inspection by the sergeant. "Any complaints?" he called out.

"Yes," answered one recruit promptly.

"What is it?" asked the sergeant.

"It's my trousers."

"What's the matter?" asked the sergeant. "I can't see anything wrong with them."

"Perhaps you can't see anything wrong, but I feel something wrong—they're chafing me under the arms."
—*London Herald.*

That story reminds one of some of the letters we see lying under large stacks on the desks of busy people, or in the helpless, searching hands of an inexperienced housewife. Nearly all of us need to watch to see that we cut all superfluous wording and make letters just as concise as possible, in keeping with completeness and friendliness.

What is it that makes letters chafe the reader? Long winded expressions like "in a careful manner," when one could say "carefully." Another is "for your information please be informed that." Why put that in at all?

The old whiskered expressions can well be dropped from letters. As per, beg to state, esteemed favor, instant, proximo, ultimo, and all the remainder of their ilk. Put them away. You very rarely see them in the letters that find a place on the Better Letters page. These expressions have the effect of putting the reader to sleep, of actually dulling his mind to the message.

Under today's busy picture, even the folks who do not receive as many letters as you do, but who may be receiving your letters, are busier than normal. Employment is at a peak. Everyone seems to be "on the jump." We read while we run. Therefore, avoid making your letters "on the long side."

This Month's Illustrations

Illustration No. 1 is an excellent example of a seasonal appeal. So many occasions during the year furnish a particularly good opportunity for the alert credit executive to send out a special appeal. The Fourth of July, Labor Day, Thanksgiving, Christmas, New Year's, Washington's and Lincoln's birthdays, Easter, Decoration Day, and a lot of other special days in between serve as times of unusual interest in the popular mind.

Mr. Schimpf, Manager of Credit Sales, L. Hummel's Sons, Pottsville, Pennsylvania, has a particularly interesting approach because in having his letter printed, he has used type face that has a tendency just by its quick physical appearance to bring out his idea and emphasize it. The strategy of the letter is excellent, an appeal to freedom which is a strong urge in the American mind. Mr. Schimpf has coupled with this a strong approval urge as indicated in the second-last paragraph. His wording is excellent.

Illustration No. 2 from Henry's, Wichita, Kansas, is a fine example of a welcome letter. Here is a case where Henry's wishes the newcomer to Wichita to be a customer and makes this happy situation almost certain by enclosing a card which will entitle this person to a free gift. A variation of this is used in other cities with outstanding success. Mr. Jones's letter is effectively and pleasingly worded, and he must be obtaining splendid results from it. The letter has that particular quality which we so much need today, good cheer. Probably every letter that we send out should be measured for that one quality during these times of so many unusual happenings and so much stress.

Illustration No. 3 from A. Harris & Company, Dallas, Texas, gives a particularly fine opening to an inactive account letter. So often letters of this character do not sound sincere. Mr. Marth's letter has verisimilitude, the quality of being not only truthful but having the appearance of truth as well. The second paragraph shows great care of the customer, a form of the powerful approval appeal. The third paragraph suggests customer dissatisfaction, which probably is excellent strategy, for it may make the former customer speak out and in that way enable the firm to clarify something which needs it. In most cases, however, the reason customers drift away is not that they are offended, but rather indifferent. This letter overcomes that major handicap. Notice the strong, action impelling close.

Illustration No. 4 is from Elgin, Illinois, Joseph Spiess Company. This is a strong appeal to fairness, and the appeal is very clearly and courteously put in the opening paragraph, which makes it all the more forceful. The second paragraph gives a hint of approval, the third emphasizes the appeal to fairness, and the closing is a very good "hook," to get action. Elgin, the home of beautiful watches, is also obviously the place where they write good letters!

Fidelity Ship Chasers

ENABLE YOU TO

LOCATE DEBTORS

ANYWHERE IN THE UNITED STATES

Where they **LIVE!** Where they **WORK!**
Where they **BANK!**

Quick and Resultful. Used Constantly By Leading Firms.
"Located Is Half Collected."

**—No Charges for Reports—
You Pay for Stationery Only**

In Quantities As Small As 100 Units—Write Today
For Full Details Without Obligation

FIDELITY RESEARCH COMPANY
101-03 So. Jefferson St. Roanoke, Virginia
(Established 1929)

State Your Own

DECLARATION OF INDEPENDENCE



①

At this time --

-- we are commemorating the Declaration of Independence, which was signed in July of 1776.

We're referring to this great event to remind you that you can state your own Declaration of Independence -- from sorry and obligation -- by making your past-due payment to Hummel's during this month of July, 1940.

We know that you fully intended to come in and make your payment at the time it was due.

We consider you as one of our customer friends and we want to treat you as a friend; we want to cooperate with you in a helpful manner.

But we have bills to meet also, so we will appreciate receiving your payment at this time. Furthermore, you'll feel a lot better when this past-due obligation is off your mind. So come on, declare your independence today!

Cordially yours,

F. W. Schilling, Jr.

Manager of Credit Sales
L. HUMMEL'S SONS

HUMMEL'S
Good Furniture

510 North Centre Street
POITTSVILLE, PA.

HENRY'S
222-224 EAST DOUGLAS AVENUE
WICHITA, KANSAS

October 23, 1940

Mr. and Mrs. John Doe
200 S. Broadway
Wichita, Kansas

②

Dear Mr. and Mrs. Doe:

It is a pleasure for us to have a part in welcoming you as a newcomer to Wichita. The many advantages of Wichita in social and cultural opportunities are unusual for a city of its size. Your acceptance of these opportunities will make your life in Wichita a more enjoyable one.

Naturally, in the course of your residence here, there will be times when the matter of clothes--their style and quality--will be uppermost in your mind. Whether the particular item of clothing be for sport or dress, for gentleman, lady, boy, or youth, the completeness of HENRY'S line is an assurance you will find the item you desire. Likewise, a HENRY'S label is a guarantee of distinctive clothing.

Now ever you may have made your purchases in the past, by cash or credit, it would be a pleasure for us to serve you in the manner most acceptable to you.

You have been given our card of welcome; just bring it into HENRY'S. A gift, as an appreciation of your courtesy in calling, awaits you.

We hope your residence in Wichita is an enjoyable experience for you. To serve you during that time would be an equally enjoyable experience for us.

Sincerely yours,

Warren B. Jones
Warren B. Jones
CREDIT MANAGER

WBJ:f

A. Harris & Company
Dallas, Texas

March 12, 1940

③

Mr. Sam Jones,
Dallas, Texas

Dear Mr. Jones:

It might be supposed that in a large business where actual thousands of persons are contacted monthly, that the absence of some would not be noticed -- but such is not the case here.

We cherish as one of our most valuable assets the names of those whom we have come to look upon as friends as well as customers, and when our records disclose a prolonged absence, we are genuinely anxious to know the cause.

If, perhaps, there has been some incident which has offended you, or lack of service or attention in some respect, we should welcome the opportunity of correcting it. In any event, we want you to know that we miss you and that we look forward to an early visit and the resumption of our old-time business friendship.

Your account is still open on our books. Please use it at your convenience.

Cordially yours,

A. HARRIS & COMPANY

J. C. Harris
Credit Manager

FCM:gs



JOSEPH SPIESS COMPANY

New York Office: 100 West 3rd Street

ELGIN'S BEST DEPARTMENT STORE

"First with New Fashions"

TELEPHONE ELGIN 4300

THIRTY-THREE GROVE AVENUE

Elgin, Illinois

May 20, 1941

④

Mr. L. J. Craig
1800 North First Street
Elgin, Illinois

Dear Mr. Craig:

You, as one of our charge customers, must realize that our rendering of good service depends largely on your careful observance of our credit terms, which require payment in full within thirty days.

We appreciate the payments which you have made on this account, but of your present balance, \$15.82 is past due.

When purchases continue to be added to an account and are not offset by correspondingly large payments, it causes the balance to become 60, 90 or even 120 days past due, and it is obvious that we cannot consistently extend credit on this basis.

Immediate cooperation in bringing your account up to date is essential.

Yours very truly,

JOSEPH SPIESS COMPANY

H. L. Lagerstrom
Credit Manager

HSL:G

IF . . .

you are an alert credit executive, you will take advantage of this excellent opportunity to avail yourself of the best thoughts and experiences of other outstanding credit granters on the problems confronting the credit world today. . . Changing conditions demand that you study to keep in step with the uncertain future ahead.

Order at Once

1941 DEPARTMENT STORE GROUP CONFERENCE PROCEEDINGS

(Including important addresses and discussions on installment legislation.)

Available Soon Limited Number

PRICE, \$2.00 A COPY
(NON-MEMBERS, \$2.75 A COPY)



National Retail Credit Association
1218 Olive Street St. Louis, Mo.

The Book Shelf

Out of the Valley of Debt (The White Institute of Budgeting, Ochsner Building, Sacramento, Calif., 109 pages, \$1.00)—This book by Lewis Pinckney White shows you how you can actually, easily, and sensibly live within your income—will actually show you how to get out and stay out of debt. His book is written from many years of helpful practical experience—his plan has evolved from the solutions to financial problems he has worked out for thousands of "debt-weary" families. A book beneficial to debtor and creditor alike.



The World Calendar (The World Calendar Association, 630 Fifth Avenue, New York, N. Y., Free)—A pamphlet describing "The World Calendar, a New Calendar for a New World" discusses at length the advantages of The World Calendar of 12 months and equal quarters from the viewpoint of industry, labor, Government, law, retailing, agriculture, finance, science, education, the home, religion . . . and everybody.



Defense Savings Bonds and Stamps (Treasury Department, Washington, D. C., 16 pages, Free)—This booklet has been issued to give the people of the country full information with regard to this financing. Discussed at length are the reasons for issuing bonds and stamps which are suitable for purchase by small, as well as large investors, and the results which it is hoped to accomplish through the regular investment of current savings in Defense issues.



Proposed Restrictions Affecting Retail Installment Credit (Domestic Distribution Department, Chamber of Commerce of the United States, Washington, D. C., 12 pages, Free)—Proposals in some quarters to apply arbitrary restrictions to installment credit include many ramifications which go beyond the granting of credit to consumers by retailers who sell merchandise on the installment plan. This report is confined to discussions of how such proposals would affect installment credit in the retail field. Included in the report are data relating to the uses and volume of installment credit in the conduct of retailing.



Consumer Credit Controls (Pollak Foundation for Economic Research, Newton, Mass., 24 pages, 10 cents)—This interesting pamphlet is adapted from an address by William Trufant Foster at the annual convention of the National Association of Mutual Savings Banks, Philadelphia, Pa., May 8, 1941.



FOR J. W. ROBINSON CO., LOS ANGELES

● Imagine! during September and the year-round this well-known department store will now give better, faster authorizing service; have increased, more profitable credit control; reduce bad debt losses; improve collection procedures; and, save 25% in operating costs!

Now, J. W. Robinson's Kardex Customer History Record reveals all account activity for 60,000 customers. The carefully planned Kardex visible margin provides automatic account aging . . . permits fast delinquent analysis (by only one clerk) . . . establishes rigid collection control . . . and supplies extremely rapid telephone authorization.

The use of impersonal pre-printed, -stamped and -sealed Colvelope collection notices provides additional economies.

The Kardex Customer History record—combining primary and refer authorizing and collection work—permits the use of the increasingly popular, efficient Unit Posting Plan in the Accounts Receivable bookkeeping department.

J. W. Robinson executives estimate that only fourteen months of operation were required to completely pay for the entire Kardex Customer History record installation! Write us today for free Kardex catalogs and full details.

REMINGTON RAND INC.

BUFFALO

BRANCHES EVERYWHERE

REMINGTON RAND PRODUCTS . . . BETTER AT FIRST . . . STAY BETTER LONGER

Cost of . . .

CREDIT DEPARTMENT OPERATIONS

ARTHUR H. HERT

The third annual study of Credit Department Expenses and other data has been completed and the results made available to the contributors who make this compilation possible. This year, the Educational Committee, under the direction of Clyde C. Kortz, Credit Manager, The Higbee Company, Cleveland, Ohio, extended the questionnaire for compiling these data to include more complete credit department costs.

The 1940 analysis shows the actual percentage figures for 124 individual stores and in addition, composite tables showing high, medium and low percentage figures for department stores in the various volume brackets. Percentage figures were based on combined open credit and installment credit sales unless otherwise indicated. These data are divided according to district, state, and credit volume bracket, in order that the individual stores' identity would not be revealed, as all contributors were assured that these data would be considered strictly confidential. The following types of stores are represented in the study: Department; Men's Wear, Women's Wear and Shoe; Jewelry; Furniture; Lumber; Fuel; Auto Dealer, Garage, and Service Station; Grocery; Paint; and Petroleum.

On the opposite page is reproduced a composite table of the 1940 credit department expense percentages for department stores. In the table below are included the median figures for department stores for the past three years.

The percentage figures in these tables were computed in the following manner: The figures for each item were arranged in descending order for the stores in each volume bracket. The highest and lowest figures were then selected and the middle figure was considered the median or average. The same procedure was followed in the total expense figures and the total expenses for the high, median and low for the various volume brackets represent the stores reporting the high, median and low total expense figures. These figures are, therefore, not the result of the ten items being added together.

To make these studies more extensive each year it is important that all members who receive a questionnaire take the time to fill it out and return as soon as possible. If you are interested in cooperating with us in this study each year, write the Research Division and we will see that you receive a questionnaire for the 1941 compilation. In addition, we will be glad to send you complimentary copies of the 1941, 1940 and 1939 compilations. After comparing your store's figures with those of others in the same volume bracket, we know you will want to benefit with other contributors in this worth-while service.

The questionnaires for the 1941 compilation will be mailed in March, 1942. Watch for it! Be one of the regular contributors to this service, thereby receiving the annual study regularly and having the advantage of making comparisons with what other stores are doing.

1938, 1939, 1940 Median Credit Department Expense Percentages to Combined Open Credit and Installment Sales
DEPARTMENT STORES

CREDIT VOLUME	Over \$5M			\$2½M to \$5M			\$1M to \$2½M			\$½M to \$1M			\$¼M to \$½M		
ITEMS	1938	1939	1940	1938	1939	1940	1938	1939	1940	1938	1939	1940	1938	1939	1940
Payroll—Credit and Collection Offices															
1—Manager, Assistants and Clerical	.773	.465	.510	.778	.633	.725	.855	.781	.690	.916	.886	.610	.590	1.105	1.400
2—Authorizers	.136	.130	.114	.114	.133	.169	.156	.149	.145	.203	.195	.160	.108	.265	.270
Payroll—Accounts Receivable															
3—Billing, Bill Adjusters, Clerical	.509	.500	.500	.423	.495	.490	.580	.420	.482	.431	.489	.627	.490	.593	.536
4—Credit Office and Accounts Receivable Supplies	.110	.120	.097	.092	.130	.130	.120	.140	.130	.137	.196	.160	.138	.253	.308
5—Postage and Communication	.249	.240	.250	.221	.270	.281	.324	.300	.260	.292	.350	.302	.220	.444	.300
6—Collection Agency Commissions, Court Costs, Etc.	.071	.110	.115	0.80	.088	.110	.119	.104	.075	.070	.127	.145	.197	.166	.100
7—Credit Reports, Credit Bureau Dues, etc.	.096	.111	.125	.146	.178	.160	.141	.127	.120	.146	.217	.210	.112	.190	.228
8—Net Losses from Bad Debts	.390	.140	.180	.212	.320	.340	.310	.360	.190	.517	.361	.250	.530	.502	.515
9—Losses from Fraudulent Purchases and Bad Checks	.026	.050	.044	.032	.036	.040	.040	.030	.025	.021	.035	.030	.007	.061	.022
10—All Other Expenses	.061	.029	.055	.065	.080	.050	.066	.040	.070	.030	.060	.130	.020	.091	----
Total Expense	2.231	1.971	2.159	2.351	2.505	2.519	3.060	2.745	2.339	2.869	2.721	2.450	2.207	4.390	3.700

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	\$1/2M
9	1940
5	1.400
5	.270
3	.536
3	.308
4	.300
6	.100
0	.228
2	.515
1	.022
0	3.700

1940 Credit Department Expense Percentages to Combined Open Credit and Installment Sales

DEPARTMENT STORES

CREDIT VOLUME ITEMS	Over \$5,000,000			\$2,500,000 to \$5,000,000			\$1,000,000 to \$2,500,000			\$500,000 to \$1,000,000			\$250,000 to \$500,000		
	HIGH	MEDIAN	LOW	HIGH	MEDIAN	LOW	HIGH	MEDIAN	LOW	HIGH	MEDIAN	LOW	HIGH	MEDIAN	LOW
Payroll—Credit and Collection Offices															
1—Manager, Assistants and Clerical	1.300	.510	.290	1.530	.725	.200	1.190	.690	.360	1.360	.610	.370	1.552	1.400	.985
2—Authorizers	.200	.114	.090	.400	.169	.050	.436	.145	.072	.800	.160	.070	.336	.270	.100
Payroll—Accounts Receivable															
3—Billing, Bill Adjusters, Clerical	.640	.500	.320	1.400	.490	.243	.830	.482	.206	1.040	.627	.440	1.480	.536	.300
4—Credit Office and Accounts Receivable Supplies	.200	.097	.070	.230	.130	.068	.250	.130	.020	.250	.160	.097	.500	.308	.100
5—Postage and Communication	.320	.250	.135	.400	.281	.121	.500	.260	.030	.440	.302	.180	.550	.300	.100
6—Collection Agency Commissions, Court Costs, Etc.	.300	.115	.030	.400	.110	.040	.180	.075	.040	.220	.145	.001	.169	.100	.054
7—Credit Reports, Credit Bureau Dues, Etc.	.304	.125	.040	.410	.160	.092	.360	.120	.070	.300	.210	.066	.500	.228	.108
8—Net Losses from Bad Debts	.800	.180	.027	.930	.340	.020	.830	.190	.030	.880	.250	.112	.800	.515	.219
9—Losses from Fraudulent Purchases and Bad Checks	.120	.044	.010	.140	.040	.002	.070	.025	.010	.085	.030	.010	.040	.022	.011
10—All Other Expenses	.250	.055	.010	.111	.050	.010	.430	.070	.009	.700	.130	.070	---	---	---
Total Expense	3.700	2.159	1.484	3.716	2.519	1.440	3.590	2.339	1.830	3.840	2.450	1.750	4.220	3.700	2.627
Other Data															
11—Average sale: Open Credit	\$ 4.50	\$ 3.25	\$ 2.65	\$ 3.88	\$ 3.25	\$ 1.82	\$ 4.77	\$ 3.22	\$ 1.79	\$ 4.95	\$ 2.59	\$ 1.54	\$13.62	\$ 3.96	\$ 3.22
12—Average purchase per account: Open Credit	\$196.17	\$135.00	\$93.00	\$216.00	\$109.73	\$68.03	\$205.15	\$107.37	\$64.27	\$141.00	\$93.31	\$54.16	\$98.26	\$55.94	\$13.62
Installment Credit	\$144.28	\$100.00	\$48.40	\$123.48	\$ 73.00	\$55.00	\$ 81.24	\$ 47.84	\$35.29	\$103.22	\$71.68	\$21.72	---	---	---
13—Cost per transaction: Open Credit	\$ 0.080	\$ 0.052	\$ 0.012	\$ 0.093	\$ 0.066	\$ 0.013	\$ 0.350	\$ 0.056	\$ 0.031	\$ 0.160	\$ 0.062	\$ 0.036	\$ 1.50	\$ 0.081	\$ 0.13
Open Credit	\$ 4.68	\$ 3.13	\$ 2.60	\$ 4.94	\$ 2.66	\$ 1.88	\$ 3.69	\$ 2.76	\$ 1.74	\$ 3.48	\$ 2.18	\$ 1.95	\$ 4.56	\$ 2.57	\$ 1.50
15—Increase in sales: Open Credit	16.90%	8.17%	1.57%	20.17%	7.03%	1.70%	19.10%	5.90%	.80%	10.54%	6.93%	.60%	12.00%	11.37%	1.11%
Installment Credit	22.70%	8.82%	1.60%	30.40%	12.45%	1.00%	26.80%	23.55%	10.70%	50.66%	18.20%	7.59%	12.60%	11.80%	11.60%
16—Increase in collections: Open Credit	8.93%	4.40%	1.00%	22.41%	6.90%	.20%	31.40%	9.00%	1.63%	10.30%	6.30%	.99%	13.00%	8.46%	.71%
Installment Credit	21.20%	7.75%	2.40%	25.00%	13.90%	.50%	25.50%	17.55%	9.20%	39.76%	13.35%	3.32%	13.00%	10.80%	8.70%
17—Declined Accounts: Open Credit	14.30%	8.00%	1.54%	17.60%	7.51%	2.69%	20.00%	8.00%	1.00%	25.00%	13.65%	4.50%	12.00%	9.90%	7.90%
Installment Credit	18.30%	3.70%	.02%	12.00%	6.60%	2.73%	9.70%	2.55%	1.00%	10.10%	5.07%	1.99%	12.00%	10.00%	8.00%

July, 1941

The Collector

DISTRICT AND CITY	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)					
	1941			1940			1941			1940			1941			1940			1941			1940		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Boston, Mass.	48.1	52.5	45.6	46.4	52.3	44.8	14.6	16.4	13.0	14.0	14.2	12.7	49.1	69.2	43.2	49.5	55.5	41.2	—	—	—	—	—	—
Lynn, Mass.	57.8	58.6	46.0	54.2	59.1	41.9	40.8	45.8	35.9	39.2	46.1	32.4	—	—	—	—	—	—	19.0	23.2	16.2	14.3	22.0	—
Springfield, Mass.	57.4	61.9	53.0	54.5	58.0	51.0	16.3	16.6	16.0	13.9	16.4	11.5	—	54.2	—	—	57.3	—	—	—	—	—	—	—
Worcester, Mass.	44.0	46.8	43.4	46.4	47.4	43.0	—	23.1	—	—	21.1	—	42.0	44.5	41.3	41.3	43.0	40.0	—	—	—	—	—	—
Providence, R. I.	48.4	67.9	45.0	46.1	64.9	44.8	—	—	—	—	—	—	—	—	—	—	—	—	—	11.9	—	—	11.4	—
New York City	48.1	54.9	42.0	47.9	53.5	41.9	20.2	26.8	13.5	18.2	26.9	12.2	44.1	49.9	41.6	44.2	53.8	40.7	—	—	—	—	—	—
Syracuse, N. Y.	—	—	—	38.7	39.6	38.1	—	—	—	15.1	16.1	12.8	—	—	—	—	—	—	—	—	—	—	—	—
Pittsburgh, Pa.	46.3	49.7	44.8	45.2	48.3	43.6	15.8	20.0	11.4	16.2	23.7	12.3	45.3	49.7	39.8	44.5	48.3	37.8	—	—	—	—	9.9	—
Reading, Pa.	—	—	—	55.0	55.7	54.4	—	—	—	—	16.7	—	—	—	—	—	54.0	—	—	—	—	9.1	9.3	—
Washington, D. C.	42.0	52.5	36.6	41.8	52.0	34.7	15.2	18.3	12.7	14.8	17.0	13.6	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore, Md.	43.4	48.3	35.3	43.1	50.1	36.2	17.8	25.7	11.3	16.1	24.7	9.4	39.3	39.0	38.4	38.4	40.0	33.5	—	—	—	—	—	—
Huntington, W. Va.	—	52.7	—	52.9	58.0	47.9	—	12.2	—	10.7	12.7	8.8	—	33.6	—	37.3	46.5	28.1	—	10.2	—	—	8.8	—
Birmingham, Ala.	39.9	43.4	37.6	40.3	45.0	34.6	15.6	16.1	15.1	15.2	17.5	12.5	38.2	40.0	36.4	41.5	45.0	39.0	—	—	—	11.3	13.1	—
Atlanta, Ga.	32.1	35.4	27.9	31.1	34.8	26.4	12.0	12.8	11.0	11.8	12.8	10.6	34.3	36.1	32.6	33.7	36.4	31.1	—	—	—	11.3	11.3	—
Little Rock, Ark.	38.0	40.7	35.4	39.1	42.9	35.4	17.1	21.6	13.6	18.6	23.6	13.6	—	41.2	—	—	41.2	—	—	—	—	—	—	—
Kansas City, Mo.	66.1	74.0	47.6	64.7	73.0	49.7	17.3	19.6	15.0	15.4	16.7	14.2	50.5	56.0	45.1	51.7	56.4	47.0	—	15.4	—	—	13.5	—
St. Louis, Mo.	54.2	63.2	48.5	54.5	63.0	49.2	17.5	20.9	15.8	17.7	21.9	14.7	41.7	51.7	36.5	40.8	50.8	35.0	—	21.7	—	—	20.8	—
Louisville, Ky.	49.9	58.0	41.9	51.4	58.7	44.2	16.0	17.2	13.9	15.1	15.6	14.8	40.1	50.0	35.0	40.0	51.0	35.4	11.3	14.0	8.7	10.9	13.0	—
Detroit, Mich.	53.0	67.6	41.0	51.4	66.3	38.7	23.3	30.4	15.8	20.7	23.9	13.2	47.8	50.1	44.0	47.0	49.1	45.3	—	—	—	—	—	—
Grand Rapids, Mich.	43.3	49.1	33.3	44.6	47.9	42.2	16.6	16.7	16.5	17.3	18.3	16.2	41.4	46.0	34.7	42.7	49.3	33.4	21.2	27.9	15.2	18.1	22.6	—
Cincinnati, O.	52.0	57.6	48.2	50.9	56.6	45.5	16.1	19.8	12.8	16.7	21.5	11.2	43.5	50.6	34.9	47.5	55.2	38.2	—	—	—	—	—	—
Cleveland, O.	45.1	53.4	47.8	49.9	53.0	46.5	19.9	22.7	16.8	17.8	19.2	15.9	43.5	45.5	42.4	41.5	43.9	36.1	12.5	17.5	8.7	9.4	11.8	—
Columbus, O.	46.3	51.3	41.4	46.6	50.7	42.6	16.9	22.8	11.9	16.0	21.1	12.2	47.0	50.0	35.8	45.3	51.2	37.9	10.6	11.4	10.5	—	11.0	—
Toledo, O.	45.1	51.9	39.2	43.7	50.2	40.4	16.7	21.6	12.9	16.5	20.5	11.1	48.8	50.6	41.5	41.4	46.1	18.0	—	—	—	—	18.0	24.8
Youngstown, O.	49.4	50.5	48.3	45.6	46.0	45.2	17.1	18.2	15.9	15.3	15.9	14.7	—	—	—	—	—	—	—	—	—	—	18.0	24.8
Milwaukee, Wis.	50.3	56.2	46.8	48.2	51.9	44.5	18.5	20.5	20.4	16.7	17.3	16.3	36.3	49.0	26.0	28.3	51.0	20.1	15.9	16.6	15.2	11.9	13.2	—
Cedar Rapids, Ia.	53.0	56.0	38.5	52.6	56.9	36.0	21.0	24.0	18.0	19.6	22.0	17.3	—	—	—	—	—	—	—	—	—	—	—	—
Davenport, Ia.	50.4	51.6	49.3	50.2	51.9	48.6	14.8	15.0	14.0	13.2	16.0	9.0	—	—	—	—	—	—	18.8	20.1	17.5	17.4	18.0	—
Des Moines, Ia.	44.4	49.4	37.2	43.0	43.8	37.0	—	12.0	—	—	11.4	—	46.1	61.0	36.6	47.8	53.3	39.3	—	—	—	—	—	—
Sioux City, Ia.	42.8	46.7	41.5	39.1	46.8	38.8	15.5	16.0	14.1	15.3	16.0	15.1	—	35.0	—	—	40.0	—	—	18.2	—	—	17.5	—
Minneapolis, Minn.	62.0	65.5	58.2	63.4	68.6	57.9	19.0	21.0	15.2	18.3	18.7	14.8	60.0	60.4	59.5	60.6	61.9	59.2	—	—	—	—	—	—
St. Paul, Minn.	49.0	55.6	42.8	51.9	55.9	41.4	21.9	35.2	15.4	—	—	—	46.0	55.2	36.0	41.0	47.0	31.0	—	—	—	—	—	—
Omaha, Neb.	—	44.9	—	—	43.4	—	—	12.7	—	—	11.2	—	44.5	48.8	42.0	42.4	46.6	39.1	—	—	—	—	—	—
Tulsa, Okla.	57.8	59.4	53.0	53.6	59.7	53.5	15.4	18.5	12.4	15.9	19.4	12.5	50.0	53.0	47.0	47.0	53.5	40.0	—	—	—	—	—	—
San Antonio, Tex.	43.0	45.0	34.8	43.2	49.7	36.7	—	—	—	11.2	12.9	9.5	43.0	47.7	35.0	40.9	47.5	34.0	11.5	18.0	9.8	—	—	—
Denver, Colo.	45.7	46.6	43.3	42.3	43.7	39.4	13.5	17.2	13.1	14.2	20.8	12.4	44.8	46.4	43.3	41.6	42.5	40.7	10.7	12.2	9.2	9.8	10.5	—
Salt Lake City, Utah	51.0	55.8	44.6	55.5	59.4	50.2	21.3	29.0	15.6	21.5	25.2	19.2	—	—	—	—	—	—	—	—	—	—	—	—
Casper, Wyo.	—	113.0	—	—	107.0	—	—	—	—	—	—	—	35.5	37.0	34.0	30.0	31.0	29.0	—	—	—	—	—	—
Portland, Ore.	38.9	39.1	38.7	38.8	40.8	36.7	13.7	14.3	13.1	12.9	13.6	12.2	40.6	45.2	37.3	42.9	46.5	35.1	—	—	—	—	—	—
Spokane, Wash.	—	55.2	—	53.3	53.4	53.0	—	11.2	—	11.5	12.9	10.1	45.3	49.0	41.7	48.0	61.9	23.3	—	—	—	—	—	—
Los Angeles, Calif.*	—	—	—	60.9	63.9	54.3	—	—	—	16.0	20.0	16.6	—	—	—	48.0	55.3	40.5	—	—	—	—	—	—
Oakland, Calif.	49.3	53.8	45.7	48.4	52.0	43.0	18.1	26.9	16.5	20.6	26.4	15.5	38.4	45.5	31.4	37.9	47.7	28.1	—	19.9	—	—	48.7	—
San Francisco, Calif.	41.7	54.0	37.4	42.0	53.2	38.2	15.8	20.1	13.7	16.4	20.6	15.2	31.7	37.8	27.1	30.2	36.8	26.4	—	—	—	—	10.9	—
Santa Barbara, Calif.	50.1	59.3	39.6	54.4	61.8	43.9	—	—	—	—	—	—	46.1	50.2	41.1	47.2	52.1	40.4	—	—	—	—	—	—
Vancouver, B. C.*	—	—	—	70.4	73.1	57.6	—	—	—	26.0	32.5	19.6	—	—	—	—	38.0	—	—	—	—	—	22.5	25.0
Victoria, B. C.	60.5	67.6	53.5	62.2	64.4	60.0	19.7	22.9	16.5	20.2	22.4	18.1	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

*1941 figures not received at press time
 †Installment

‡Furriers
 §Laundry

¶Heating
 †Lumber

‡Paper and Paint
 §Fuel

‡Artist's Sup.

FORTY-EIGHT KEY CITIES COOPERATING WITH THE RESEARCH DIVISION

INSTALMENT REGULATION OF THE BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM

The National Retail Credit Association is cooperating with the Federal Reserve Banks by sending a complete list of all members in order that they might mail each a copy of the Instalment Regulation of the Board of Governors of the Federal Reserve System, in booklet form. The Regulation is reprinted here so that each member will have an additional copy for reference purposes. Any inquiry relating to it should be addressed to the Federal Reserve Bank or Federal Reserve Branch Bank of the District in which the inquiry arises.

SECTION 1. SCOPE OF REGULATION

This regulation is issued by the Board of Governors of the Federal Reserve System (hereinafter called the "Board") under authority of section 5(b) of the Act of October 6, 1917, as amended, and Executive Order No. 8843, dated August 9, 1941 (hereinafter called the "Executive Order").¹

The regulation applies, in general, to any person who is engaged in the business of making extensions of instalment credit, or of discounting or purchasing obligations arising out of extensions of instalment credit. It applies whether the person so engaged is acting as principal, agent, broker or otherwise, and whether the person is a bank, loan company, or finance company, or a person who is so engaged in connection with any other business, such as by making such extensions of credit as a dealer, retailer, or other person in connection with the selling of consumers' durable goods.²

SECTION 2. DEFINITIONS

For the purposes of this regulation, unless the context otherwise requires:

(a) "**Person**" means an individual, partnership, association, or corporation.

(b) "**Extension of Credit**" means any loan or mortgage; any instalment purchase contract, any conditional sales contract, or any sale or contract of sale under which part or all of the price is payable subsequent to the making of such sale or contract; any

rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee either has the option of becoming the owner thereof or obligates himself to pay as compensation a sum substantially equivalent to or in excess of the value thereof; any contract creating any lien or similar claim on property to be discharged by the payment of money; any purchase, discount, or other acquisition of, or any extension of credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(c) "**Extension of Instalment Credit**" means an extension of credit which the obligor undertakes to repay in two or more scheduled payments or as to which the obligor undertakes to make two or more scheduled payments or deposits usable to liquidate the credit, or which has a similar purpose or effect.

(d) "**Extension of Instalment Sale Credit**" means an extension of instalment credit which is made, as principal, agent or broker, by any seller of any consumers' durable good specified in the Supplement to this regulation (hereinafter called a "listed article") and arises out of the sale of such listed article. For the purposes of this section 2(d) a lease or bailment which is similar in purpose or effect to a sale shall be deemed to be a sale.

(e) "**Extension of Instalment Loan Credit**" means an extension of instalment credit, other than instalment sale credit, which is a loan (as distinguished from other types of extensions of credit) and which (1) is in a principal amount of \$1,000 or less, or (2) regardless

of amount, is wholly or partly secured, or according to any oral or written agreement of the parties is to become so secured, by any listed article which has been purchased within 45 days prior to, or is to be purchased at any time after, such extension of instalment credit; but the definition does not include any loan upon the security of any obligation or claim which arises out of any extension (A) of instalment sale credit or (B) of instalment loan credit as defined above in this section 2(e).

SECTION 3. REGISTRATION AND GENERAL REQUIREMENTS

(a) **General Requirements.**—No person engaged in the business of making extensions of instalment sale credit³ or instalment loan credit, or engaged in the business of lending on the security of or discounting or purchasing obligations or claims arising out of such extensions of credit, shall make any payment or receive any payment which constitutes or arises directly or indirectly out of any such extension of credit made by such person or out of any such obligation or claim lent on or discounted or purchased by such person, except on the following conditions:

(1) Such person shall be licensed pursuant to this section (any person so licensed being hereinafter called a "Registrant"); and

(2) The Registrant shall not make any such payment or receive any such payment (A) if, when the Registrant made the extension of instalment credit, the Registrant knew or had reason to know any fact by reason of which such extension of instalment credit failed to comply with any of the requirements of this regulation applicable thereto, or (B) if, when the Registrant purchased or discounted the obligation or claim or accepted the obligation or claim as collateral, the obligation or claim

¹The Executive Order is printed in the Appendix. However, it has been the purpose to couch this regulation in such terms as will eliminate the need of cross reference to the Order.

²The Supplement to this regulation lists the consumers' durable goods within the scope of the regulation.

³It is to be noted that the term "instalment sale credit" includes only credit connected with the sale of listed articles.

showed on its face some failure to comply with such requirements, or the Registrant knew any fact by reason of which the extension of instalment credit giving rise to the obligation or claim failed to comply with such requirements, or (C) if, when the Registrant renewed, revised, or consolidated the obligation or claim arising out of an extension of instalment credit, the Registrant knew or had reason to know any fact by reason of which such renewal, revision or consolidation resulted in a failure to comply with such requirements.

(b) **General License.**—A general license is hereby granted to all persons engaged on or before December 31, 1941 in the type of business described in section 3(a); *Provided, however,* That such general license terminates at the close of December 31, 1941 for every person who has not registered on or before that date in the manner provided in section 3(c). After December 31, 1941, any person, whose license is not suspended, may become licensed by registering in the manner provided in section 3(c).

(c) **Registration.**—Registration as required by this section 3 may be accomplished by filing, with the Federal Reserve Bank of the district in which the main office of the Registrant is located, a registration statement on forms obtainable from any Federal Reserve Bank or branch.

(d) **Suspension of License.**—The license of any Registrant may, after reasonable notice and opportunity for hearing, be suspended by the Board, either in its entirety or as to particular activities or particular offices or for specified periods, on any of the following grounds:

(1) Any material misstatement or omission willfully or negligently made in the registration statement;

(2) Any willful or negligent failure to comply with any provision of this regulation or any requirement of the Board pursuant thereto.

A license which is suspended for a specified period will again become effective upon the expiration of such period. A license which is suspended indefinitely may be restored by the Board, in its discretion, if the Board is satisfied that its restoration would not lead to further violations of this regulation and would not be otherwise incompatible with the public interest.

SECTION 4. INSTALMENT SALE CREDIT

Except as otherwise permitted by section 6, any extension of instalment sale credit shall comply with the following requirements:

(a) **Maximum Amount of Credit.**—The deferred balance shall not exceed the maximum credit value of the listed article specified in the Supplement to this regulation (hereinafter called the "Supplement");

(b) **Maximum Maturity.**—The maturity shall not exceed that specified for the listed article in the Supplement;

(c) **Amounts of Payments.**—Except as permitted by section 4(d), the instalments in which the time balance is repayable shall be substantially equal in amount or be so arranged that no instalment is substantially greater in amount than any preceding instalment;

(d) **Intervals of Payments.**—The instalments shall be payable at approximately equal intervals not exceeding one month, except that, when appropriate for the purpose of facilitating repayment in accordance with the seasonal nature of the obligor's main source of income or to encourage off-seasonal purchases of seasonal goods, the payment schedule may reduce or omit payments over any period or periods totaling not more than 4 months during the life of such extension of instalment sale credit if the schedule increases the scheduled payments in such manner as to meet all the other requirements of this section 4;

*(e) **Minimum Monthly Payment.**—Except as permitted by section 4(d), the schedule of payments shall call for instalments aggregating not less than \$5.00 per month;

†(f) **Statement of Transaction.**—The extension of instalment sale credit shall be evidenced by a written instrument or record, and there shall be incorporated therein or attached thereto a written statement, of which a copy shall be given to the obligor as promptly as circumstances will permit, and which shall set forth (in any order) the following information:

(1) A brief description identifying the article purchased;

(2) The *bona fide* cash purchase price of the article and accessories purchased (including

*Effective January 1, 1942.

†Effective October 1, 1941.

any sales taxes thereon) and of any services (excluding any interest or finance charge and the cost of any insurance) rendered in connection with the acquisition thereof, itemized;

(3) The amount of the purchaser's down payment (A) in cash and (B) in goods accepted in trade, together with a brief description identifying such goods and stating the monetary value assigned thereto in good faith;

(4) The deferred balance, which is the difference between items (2) and (3);

(5) The amount of any insurance premium for which credit is extended and of any finance charges or interest by way of discount included in the principal amount of the obligation, or the sum of these amounts;

(6) The time balance owed by the purchaser, which is the sum total of items (4) and (5); and

(7) The terms of payment.

(g) **Credit of Which a Part Arises Out of Sale of a Listed Article.**—In case an extension of instalment sale credit arises partly out of a sale of an article listed in the Supplement and partly out of another sale, the amount and the terms of such extension of credit shall be such as would result if the credit were divided into two parts, the part relating to the listed article being treated in accordance with the provisions of this regulation relating to such article and the remainder being treated in the manner in which the Registrant would in good faith treat a similar extension of credit if standing alone.

SECTION 5. INSTALMENT LOAN CREDIT

Except as otherwise permitted by section 6, any extension of instalment loan credit shall comply with the following requirements:

(a) **Loans Secured by Listed Article.**—If the extension of instalment loan credit is wholly or partly secured, or according to any oral or written agreement of the parties is to become so secured, by any listed article which has been purchased within 45 days prior to, or is to be purchased at any time after, such extension of instalment loan credit:

(1) The principal amount lent to the obligor (excluding any interest or finance charges, and the cost of any insurance) shall not exceed the maximum credit value of the listed article speci-

fied in the Supplement; and, in determining such maximum credit value, the Registrant may accept in good faith a written statement signed by the obligor setting forth the *bona fide* cash purchase price of the article and of any accessories and of any services, except insurance, rendered in connection with the acquisition thereof, which statement, so accepted shall, for purposes of this regulation, be deemed to be correct; and

(2) The maturity shall not exceed that specified for the listed article in the Supplement, and such maximum maturity shall be calculated from the date of purchase of such listed article or from the date of such extension of instalment loan credit, whichever is earlier.

(b) **Miscellaneous Loans of \$1,000 or Less.**—If the extension of instalment loan credit is not subject to section 5(a) but is in a principal amount of \$1,000 or less, the maximum maturity shall not exceed that specified in the Supplement for extensions of instalment loan credit subject to this section 5(b).

(c) **General Requirements.**—Whether subject to section 5(a) or section 5(b), the extension of instalment loan credit shall comply with the following additional requirements:

* (1) The extension of instalment loan credit shall be evidenced by a written instrument or record, and there shall be incorporated therein or attached thereto a written statement, of which a copy shall be given to the obligor as promptly as circumstances will permit, and which shall set forth the terms of payment and, if the loan is subject to section 5(a), the *bona fide* cash purchase price used for determining the maximum credit value of the listed article involved;

(2) Except as permitted by section 5(c)(3), the total of the principal and any interest or finance charges shall be payable in instalments which shall be substantially equal in amount or be so arranged that no instalment is substantially greater in amount than any preceding instalment;

(3) Instalments shall be payable at approximately equal intervals not exceeding one month, except that, when appropriate in order to facilitate repayment in

accordance with the seasonal nature of the obligor's main source of income or to encourage off-seasonal purchases of seasonal goods, the payment schedule may reduce or omit payments over any period or periods totaling not more than 4 months during the life of such extension of credit if the schedule increases the scheduled payments in such manner as to meet the other requirements of this section 5; and

† (4) Except as permitted by section 5(c)(3), the schedule of payments shall call for instalments aggregating not less than \$5.00 per month.

(d) **Determining When Listed Article Purchased.**—In case the Registrant accepts in good faith a written statement signed by the obligor that any listed article which secures an extension of instalment loan credit has not been purchased within 45 days prior to such extension of credit such statement shall, for the purposes of this regulation, be deemed to be correct.

SECTION 6. CERTAIN EXCEPTIONS

Notwithstanding the provisions of sections 4 and 5, the requirements of such sections shall not apply to any of the following:

(a) Any extension of credit which is secured by a *bona fide* first lien on improved real estate duly recorded.

(b) Any extension of credit over \$1,000 which is made for materials and services in connection with repairs, alterations, or improvements upon urban, suburban, or rural real property in connection with existing structures, even though such materials include articles listed in Group C or D in the Supplement, provided the *bona fide* cash purchase price of such articles so listed does not exceed 50 per cent of the total over-all deferred balance.

(c) Any extension of instalment loan credit which is made to or for a student for *bona fide* educational purposes.

(d) Any extension of instalment loan credit if (1) the proceeds are to be used for *bona fide* medical, hospital, dental, or funeral expenses and (2) the income of the obligor available for the purpose is such that he could not reasonably meet the requirements of this regulation otherwise applicable, and failure to obtain the extension of credit would cause undue hardship to him; *Provided*, That if the Registrant accepts in good faith a written statement

signed by the obligor and setting forth the facts relied upon to bring the loan within the exception of this section 6(d) the facts set forth in such statement shall, for the purposes of this regulation, be deemed to be correct.

(e) Any extension of credit (1) to finance the purchase of aircraft in order to facilitate participation in the Civilian Pilot Training Program of the Civil Aeronautics Authority; or (2) to remodel or rehabilitate any dwelling or residence which the Defense Housing Coordinator, or his authorized agent, shall designate as being for "defense housing" as defined by the Coordinator. Information regarding the procedure for obtaining such a designation may be obtained through any Federal Reserve Bank or branch.

(f) Any extension of instalment sale credit which is to be repaid at approximately equal intervals and in approximately equal instalments, the last of which matures within three months after the first day of the calendar month next following such extension.

(g) Any extension of credit to a dealer in any listed article, whether a wholesaler or retailer, to finance the purchase of any such article for resale.

(h) Any extension of credit which is to be repaid within not more than twelve months and is made to a *bona fide* salesman of automobiles in order to finance the purchase of a new automobile to be used by him principally as a demonstrator.

(i) Any extension of credit which is for the purpose of financing a premium in excess of one year on a fire or casualty insurance policy if the proceeds are paid directly to the insurance agent, broker, or company issuing or underwriting the insurance and the extension of credit is fully secured by the unearned portion of the premium so financed.

(j) Any extension of instalment sale credit made on or before December 31, 1941, which (1) does not bring above \$50 the total of the obligor's outstanding indebtedness to the Registrant arising out of extensions of instalment sale credit made on or after September 1, 1941, and (2) is to be repaid at approximately equal intervals and in approximately equal instalments the last of which matures within 9 months after the first day of the calendar month next following such extension.

(k) Any extension of instalment loan credit which is made to a person engaged in agriculture, or

*Effective October 1, 1941.

†Effective January 1, 1942.

to a cooperative association of such persons, provided that the extension of instalment loan credit (1) is approved by the Farm Security Administrator, or his authorized agent, as being necessary for the rehabilitation of a needy farm family, or (2) is for general agricultural purposes and is not for the purpose of purchasing any listed article and not secured by any listed article purchased within 45 days before the extension of credit. In determining whether a loan meets the description of clause (2) above, a Registrant may accept in good faith a written statement signed by the obligor setting forth the facts relied upon to bring the loan within the description, and the facts set forth in such statement shall, for the purposes of this regulation, be deemed to be correct.

SECTION 7. ENFORCEABILITY OF CONTRACTS

Pending an opportunity for the Board to observe this regulation in operation and except as may subsequently be otherwise provided, all of the provisions of this regulation are designated, pursuant to section 2(d) of the Executive Order, as being for administrative purposes within the meaning of said section 2(d) which provides that non-compliance with provisions of the regulation so designated shall not affect the right to enforce contracts.

SECTION 8. RENEWALS, REVISIONS, AND ADDITIONS

*** (a) Renewals or Revisions.**—If any obligation or claim evidencing any extension of instalment sale credit or instalment loan credit is renewed or revised by a Registrant, the extension of instalment credit does not comply with the requirements of this regulation if such renewal or revision has the effect of changing the terms of repayment to terms which this regulation would not have permitted in the first instance for such credit; *Provided, however,* That this shall not prevent the Registrant from taking any such action if the Registrant accepts in good faith a statement of necessity as provided in section 8(d) and the extension of instalment credit provides for a schedule of repayment in conformity with this regulation as though it were a new extension of instalment credit; and *Provided further,* That nothing in this regulation shall be construed to prevent any Registrant from making any renewal or revision, or taking

any action that it shall deem necessary in good faith, (1) with respect to any obligation of any member of the armed forces of the United States incurred prior to his induction into such service, or (2) for the Registrant's own protection in connection with any obligation which is in default and is the subject of *bona fide* collection effort by the Registrant.

*** (b) Additions to Outstanding Credit.**—If any Registrant makes any extension of instalment sale credit or instalment loan credit and such extension of instalment credit is consolidated with any obligation held by the Registrant evidencing any prior extension of instalment sale credit or instalment loan credit to the same obligor, neither extension of instalment credit complies with the requirements of this regulation unless the terms of the consolidated obligation are such as would have been necessary to meet the requirements of this regulation if the two extensions had not been so consolidated; *Provided, however,* That if the Registrant accepts in good faith a statement of necessity as provided in section 8(d), the combined obligation may provide for a schedule of repayment in conformity with this regulation as though it were a new extension of instalment credit.

† (c) Credit to Retire Obligations Held Elsewhere.—Any extension of instalment credit, the proceeds of which a Registrant knows or has reason to know will be used in whole or in part to reduce or retire any extension of instalment sale credit or instalment loan credit not held by such Registrant, shall be subject to the requirements of section 8(a) or 8(b), including the provisos thereof, to the same extent as if the obligation being reduced or retired were held by the Registrant. In determining whether the proceeds of any extension of instalment credit will be so used, if the Registrant accepts in good faith a written statement with respect thereto signed by the obligor, such statement shall, for the purposes of this regulation, be deemed to be correct.

‡ (d) Statement of Necessity to Prevent Undue Hardship.—The requirements of a statement of necessity, as provided for in sections 8(a), 8 (b), and 8(c), will be complied with only if the Registrant accepts in good faith a written statement on a form pre-

scribed by the Board and signed by the obligor that the contemplated renewal, revision, or other action is necessary in order to avoid undue hardship upon the obligor resulting from contingencies which were unforeseen by the obligor at the time of obtaining the original extension of instalment credit or which were beyond the control of the obligor, which statement also sets forth briefly the principal facts and circumstances with respect to such contingencies and specifically states that the renewal revision, or other action is not pursuant to any preconceived plan, arrangement, or intention to evade or circumvent any requirement of this regulation.

(e) Obligations Outstanding on September 1, 1941.—The requirements of sections 8(a), 8(b), and 8(c), do not apply to any renewal or revision of any obligation arising out of any extension of instalment sale credit or instalment loan credit made prior to September 1, 1941; but when any such outstanding obligation has been combined with any extension of instalment sale credit or instalment loan credit made on or after September 1, 1941, or has been the subject of any renewal or revision made on or after such date, such extension of instalment credit shall thereafter be treated for the purposes of this regulation as having been made on or after such date.

(f) Side Loan to Make Down-Payment on Listed Article.—An extension of instalment credit which is limited in amount by this regulation to the maximum credit value of any listed article, does not comply with the requirements of this regulation if the Registrant making such extension of instalment credit knows or has reason to know that there is, or that there is to be, any other extension of credit in connection with the purchase of the listed article which would bring the total amount of credit extended in connection with such purchase beyond the maximum credit value of such article as specified in the Supplement: *Provided,* That, if the Registrant accepts in good faith a written statement signed by the obligor that no such other extension exists or is to be made, such statement shall, for the purposes of this regulation, be deemed to be correct.

(g) Evasive Side Agreements.—No extension of instalment credit complies with the requirements of this regulation if at the time it is made there is any agreement, arrangement, or understanding by which the obligor is to be enabled

*Effective November 1, 1941.

†Effective November 1, 1941.

‡Effective November 1, 1941.

*Effective November 1, 1941.

to make repayment on conditions inconsistent with those required by this regulation, or which would otherwise evade or circumvent, or conceal any evasion or circumvention of, any requirement of this regulation.

SECTION 9. MISCELLANEOUS PROVISIONS

(a) **Clerical Errors.**—Any failure to comply with this regulation resulting from a mistake in determining, calculating, or recording any price, credit value, or extension of credit, or other similar matter, shall not be construed to be a violation of this regulation if the Registrant establishes that such failure to comply was the result of excusable error and was not occasioned by a regular course of dealing.

(b) **Calculating Maximum Maturity of Contract.**—In calculating the maximum maturity of a contract from the date on which any listed article was purchased or any loan was made, depending upon which such date is required by this regulation to be used for such calculation, a Registrant may, at his option, use as such date of purchase or loan any date not more than 15 days subsequent to the actual date thereof.

(c) **"Lay-away" Plans.**—With respect to any extension of instalment sale credit involving a *bona fide* "lay-away" plan, or other similar plan by which a purchaser makes one or more payments on an article before receiving delivery thereof, the Registrant may, for

the purposes of this regulation, treat the extension of instalment sale credit as not having been made until the date of the delivery of the article to the purchaser.

(d) **Outstanding Contracts.**—Except as provided in section 8(e) with respect to contracts made prior to September 1, 1941, which have been renewed, revised, or consolidated on or after such date, nothing in this regulation shall apply with respect to any valid contract made prior to such date.

(e) **Payments Arising Out of Loans on Instalment Obligations.**—With respect to any loan on the security of an obligation or claim which arises out of an extension of instalment credit, the prohibitions of this regulation shall be deemed to apply only to payments arising out of the obligation or claim rather than to payments arising out of the loan.

(f) **Determining Security for Instalment Loan Credit.**—In determining whether an extension of instalment loan credit is secured by any recently acquired listed article, as described in section 5(a), the Registrant acting in good faith may disregard any such listed article which specifically secures some other extension of credit and secures the loan in question merely by reason of an "overlap agreement," "spreader clause," or other form of general over-all lien.

(g) **Records and Reports.**—Every Registrant shall keep such records and make such reports as the Board may from time to time

require as necessary or appropriate for enabling it to perform its functions under the Executive Order.

(h) **Production of Records.**—Every Registrant, as and when required by the Board, shall furnish complete information relative to any transaction within the scope of the Executive Order, including the production of any books of account, contracts, letters, or other papers in connection therewith.

(i) **Transactions Outside United States.**—Nothing in this regulation shall apply with respect to any extension of credit made in Alaska, the Panama Canal Zone, or any territory or possession outside the continental United States.

(j) **Right of Registrant to Impose Stricter Requirements.**—Nothing in this regulation shall be construed to modify the right of any Registrant to refuse to extend credit, or to extend less credit than the amount permitted by this regulation, or to require that repayment be made within a shorter period than the maximum permitted by this regulation.

SECTION 10. EFFECTIVE DATE OF REGULATION

This regulation shall become effective September 1, 1941, except that sections 4(f) and 5(c)(1) shall not become effective until October 1, 1941, sections 8(a), 8(b), 8(c), and 8(d) shall not become effective until November 1, 1941, and sections 4(e) and 5(c)(4) shall not become effective until January 1, 1942.

Supplement to Regulation W

Part 1. Listed Articles, Maximum Maturities, and Maximum Credit Values.—For the purposes of the regulation the following maximum maturities and maximum credit values shall apply to the following list of articles:

<i>Articles of Consumers' Durable Goods (Whether new or used)</i>	<i>Maximum Maturity in Months</i>	<i>Maximum Credit Value in per cent of Basis Price</i>
Group A		
1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs)-----	18	(See Part 3 of this Supplement)
Group B		
1. Aircraft (including gliders)-----	18	66⅔
2. Power driven boats, and motors designed for use therein, other than boats or motors designed specifically for commercial use---	18	66⅔
3. Outboard boat motors-----	18	66⅔
4. Motorcycles (two- or three-wheel motor vehicles, including motor bicycles)-----	18	66⅔
Group C		
1. Mechanical refrigerators of less than 12 cubic feet rated capacity-----	18	80
2. Washing machines designed for household use-----	18	80
3. Ironers designed for household use-----	18	80
4. Suction cleaners designed for household use-----	18	80
5. Cooking stoves and ranges with less than seven heating surfaces-----	18	80
6. Heating stoves and space heaters designed for household use-----	18	80
7. Electric dishwashers designed for household use-----	18	80
8. Room-unit air conditioners-----	18	80
9. Sewing machines designed for household use-----	18	80
10. Radio receiving sets, phonographs, or combinations-----	18	80
11. Musical instruments composed principally of metals-----	18	80
Group D		
1. Household furnaces and heating units for furnaces (including oil burners, gas conversion burners, and stokers)-----	18	85
2. Water heaters designed for household use---	18	85
3. Water pumps designed for household use---	18	85
4. Plumbing and sanitary fixtures designed for household use-----	18	85
5. Home air conditioning systems-----	18	85
6. Attic ventilating fans-----	18	85
7. New household furniture (including ice refrigerators, bed springs, and mattresses but excluding floor coverings, wall coverings, draperies, and bed coverings) ¹ -----	18	90
8. Pianos and household electric organs-----	18	90
Group E		
1. Materials and services (other than materials listed in Group C or D) in connection with repairs, alterations, or improvements upon urban, suburban, or rural real property in connection with existing structures, provided the deferred balance does not exceed \$1,000-----	18	No limitation

Part 2. Basis Price of Listed Articles Other Than Automobiles.—The basis price of any listed article other than an automobile shall be the *bona fide* cash purchase price of the article and accessories purchased,

¹An article is not new if it has been used by a consumer.

including any sales taxes thereon and any *bona fide* delivery and installation charges, *minus* the amount of any allowance made by the seller for any article traded-in by the purchaser (including as such a trade-in anything which the seller buys or arranges to have bought from the purchaser at or about the time of the purchase of the listed article).

Part 3. Maximum Credit Value of Automobiles.—For the purposes of section 4 and section 5(a) of the regulation:

(a) The maximum credit value of a new automobile shall be 66⅔ per cent of the *bona fide* cash purchase price of the automobile and accessories (including any sales taxes thereon and any *bona fide* delivery charges) but in no event to exceed 66⅔ per cent of the sum of the following items:

(1) The advertised delivered price of the automobile (with standard equipment) at the factory;

(2) Transportation charges established by the manufacturer from factory to point of delivery;

(3) Any Federal, State, or local taxes not included in the foregoing; and

(4) Any *bona fide* charges for delivery or accessories not included in the foregoing items.

In case the automobile is sold for delivery at the factory, by a dealer in a given place to a resident of such place or its vicinity who actually intends to bring the automobile to such place or vicinity and use it there, an amount equal to the freight from the factory to such place may be included.

(b) For any used automobile the maximum credit value, until otherwise provided, shall be 66⅔ per cent of the *bona fide* cash purchase price (including any sales taxes thereon).

Part 4. Instalment Loan Credit subject to Section 5(b) of the Regulation.—The maximum maturity of any extension of instalment loan credit of \$1,000 or less subject to section 5(b) of the regulation shall be 18 months.

APPENDIX TO REGULATION W OUTLINES NEED FOR RULES

DECLARATION OF NECESSITY AND PURPOSE

WHEREAS a large volume of credit is being devoted to financing and refinancing purchases of consumers' goods and services through extensions of credit that usually are made to individuals and to a large extent are on an instalment payment basis; and

WHEREAS the conditions under which such credit is available have an important influence upon the volume and timing of demand, not only for the particular goods and services purchased on credit but also for goods and services in general; and

WHEREAS liberal terms for such credit tend to stimulate demand for consumers' durable goods the production of which requires materials, skills, and equipment needed for national defense; and

WHEREAS the extension of such credit in excessive volume tends to generate inflationary developments of increasing consequence as the limits of productive capacity are approached in more and more fields and to hinder the accumulation of savings available for financing the defense program; and

WHEREAS the public interest requires control of the use of instalment credit for financing and refinancing purchases of consumers' durable goods the production of which absorbs resources needed for national defense, in order (a) to facilitate the transfer of productive resources to defense industries, (b) to assist in curbing unwarranted price advances and profiteering which tend to result when the supply of such goods is curtailed without corresponding curtailment of demand, (c) to assist in restraining general inflationary tendencies, to support or supplement taxation imposed to restrain such tendencies, and to promote the accumulation of savings available for financing the defense program, (d) to aid in creating a backlog of demand for consumers' durable goods, and (e) to restrain the development of a consumer debt structure that would repress effective demand for goods and services in the post-defense period; and

WHEREAS in order to prevent evasion or avoidance of this order and such regulations as may be prescribed to effectuate its purposes, means should also be available for regulating the use of other instalment credit and other

forms of credit usually extended to consumers or on consumers' durable goods; and

WHEREAS it is appropriate that such credit be controlled and regulated through an existing governmental agency which has primary responsibilities with respect to the determination and administration of national credit policies:

Now, THEREFORE, by virtue of the authority vested in me by section 5(b) of the act of October 6, 1917, as amended, and by virtue of all other authority vested in me, and in order, in the national emergency declared by me on May 27, 1941, to promote the national defense and protect the national economy, it is hereby ordered as follows:

ADMINISTRATION

Section 1. (a) The Board of Governors of the Federal Reserve System (hereinafter called the Board) is hereby designated as the agency through which transfers of credit between and payments by or to banking institutions (as defined herein pursuant to section 5(b) of the aforesaid Act) which constitute, or arise directly or indirectly out of, any extension of credit of a type set out in section 2(a) of this order shall be investigated, regulated and prohibited.

(b) The Board shall, whenever it deems such action to be necessary or appropriate, take any lawful steps herein authorized and such other lawful steps as are within its power to carry out the purposes of this order, and may, in administering this order, utilize the services of the Federal Reserve Banks and any other agencies, Federal or State, which are available and appropriate.

(c) In order to facilitate the coordination of the Board's functions under this order with other phases of the program for national defense and for protecting the national economy, there shall be a committee consisting of the Secretary of the Treasury, the Federal Loan Administrator, and the Administrator of the Office of Price Administration and Civilian Supply, or such alternate as each shall designate, and such other members as the President shall subsequently appoint. The Board shall maintain liaison with the committee, and in formulating policies with respect to down-payments, maturities, terms of repayment, and other such questions of general policy shall consult with the committee and take into consideration any suggestions or recommendations it may make.

REGULATIONS

Section 2. (a) Whenever the Board shall determine that such action is necessary or appropriate for carrying out the purposes of this order, the Board shall prescribe regulations with respect to transfers and payments which constitute, or arise directly or indirectly out of, any extension of instalment credit for the purpose of purchasing or carrying any consumers' durable good except a residential building in its entirety; and the Board may in addition, to the extent deemed by it to be desirable and feasible in order to prevent evasion of such regulations as may be so prescribed or in order to control forms of credit the use of which might defeat the purposes of this order and such regulations, prescribe regulations with respect to transfers and payments which constitute, or arise directly or indirectly out of, (1) any other extension of instalment credit, or (2) any other extension of credit for the purpose of purchasing or carrying any consumers' durable good, or (3) any other extension of credit in the form of a loan other than a loan made for business purposes to a business enterprise or for agricultural purposes to a person engaged in agriculture. Such regulations may be prescribed by the Board at such times and with such effective dates as the Board shall deem to be in accordance with the purposes of this order.

(b) Such regulations may from time to time, originally or by amendment, regulate or prohibit such transfers and payments or exempt them from regulation or prohibition and may classify them according to the nature of the transactions or goods or persons involved or upon such other basis as may reasonably differentiate such transfers and payments for the purposes of regulations under this order, and may be made applicable to one or more of the classes so established; and, without limiting the generality of the foregoing, such regulations may require transactions or persons or classes thereof to be registered or licensed; may prescribe appropriate limitations, terms, and conditions for such registrations or licenses; may provide for suspension of any such registration or license for violation of any provision thereof or of any regulation, rule, or order prescribed hereunder, may prescribe appropriate requirements as to the keeping of records and as to the form, contents, or substantive provisions of

contracts, liens, or any relevant documents; may prohibit solicitations by banking institutions which would encourage evasion or avoidance of the requirements of any regulation, license, or registration under this order; and may from time to time make appropriate provisions with respect to—

(1) The maximum amount of credit which may be extended on, or in connection with any purchase of, any consumers' durable good;

(2) The maximum maturity, minimum periodic payments, and maximum periods between payments, which may be stipulated in connection with extensions of credit;

(3) The methods of determining purchase prices or market values or other bases for computing permissible extensions of credit or required down-payments; and

(4) Special or different terms, conditions, or exemptions with respect to new or used goods, minimum original cash payments, temporary credits which are merely incidental to cash purchases, payment or deposits usable to liquidate credits, and other adjustments or special situations.

(c) On and after the effective date of any regulation prescribed by the Board with respect to any extension of credit of a type set out in section 2(a), and notwithstanding the provisions of any other proclamation, order, regulation, or license under the aforesaid Act, all transfers and payments which are in violation of such regulation shall be and hereby are prohibited to the extent specified in such regulation.

(d) Neither this order nor any regulation issued thereunder shall affect the right of any person to enforce any contract, except that after the effective date of any such regulation every contract which is made in connection with any extension of credit and which violates, or the performance of which would violate, any provision of such regulation (other than a provision designated therein as being for administrative purposes), and every lien, pledge, seller's interest in a conditional sale, or other property interest, subject to the provisions of such contract or created in connection therewith, shall be unenforceable by the person who extends such credit or by any person who acquires any right of such person in such contract; provided that such disability shall not apply to any person who extends such credit, or acquires such right for

value, in good faith and without knowing or having reason to know the facts by reason of which the making or performance of such contract was or would be such a violation.

REPORTS

Section 3. Reports concerning the kinds, amounts, and characteristics of any extensions of credit subject to this order, concerning transfers and payments which arise out of any such extensions of credit, or concerning circumstances related to such extensions of credit or such transfers or payments or to the regulation thereof, shall be filed on such forms, under oath or otherwise, at such times and from time to time, and by such persons, as the Board may prescribe by rule, regulation, or order as necessary or appropriate for enabling the Board to perform its functions under this order. The Board may require any person to furnish, under oath or otherwise, complete information relative to any transaction within the scope of this order, including the production of any books of account, contracts, letters, or other papers, in connection therewith in the custody or control of such person.

DEFINITIONS

Section 4. For the purposes of this order, unless the context otherwise requires, the following terms shall have the following meanings, provided that the Board may in its regulations give such terms more restricted meanings:

(a) "Person" has the meaning set forth in section 5(b) of the act of October 6, 1917, as amended.

(b) "Transfers and payments" means "transfers of credit between and payments by or to banking institutions."

(c) "Banking institution" means any person engaged as principal, agent, broker, or otherwise, in the business of making or holding extensions of credit and includes, without limitation, any bank, any loan company, and finance company, or any other person engaged in the business of making or holding extensions of credit whether as a vendor of consumers' durable goods or otherwise.

(d) "Consumers' durable good" includes any good, whether new or used, which is durable or semi-durable and is used or usable for personal, family or household purposes, and any service connected with the acquisition of any such good or of any interest therein.

(e) "Extension of credit" means any loan or mortgage; any

instalment purchase contract, any conditional sales contract, or any sale or contract of sale under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee either has the option of becoming the owner thereof or obligates himself to pay as compensation a sum substantially equivalent to or in excess of the value thereof; any contract creating any lien or similar claim or property to be discharged by the payment of money; any purchase, discount, or other acquisition of, or any extension of credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(f) An extension of credit is an extension of "instalment credit" if the obligor undertakes to repay the credit in two or more scheduled payments or undertakes to make two or more scheduled payments or deposits usable to liquidate the credit, or if the extension of credit has a similar purpose or effect, or if it is for the purpose of financing a business enterprise which makes such extensions of credit.

(g) An extension of credit is "for the purpose of purchasing or carrying any consumers' durable good" if it is directly or indirectly for the purpose of financing or refinancing the purchase of any consumers' durable good or is directly or indirectly secured by any consumers' durable good, or if the extension of credit has a similar purpose or effect, or if it is for the purpose of financing a business enterprise which makes such extensions of credit.

PENALTIES

Section 5. Whoever willfully violates or knowingly participates in the violation of this order or of any regulation prescribed hereunder, shall be subject to the penalties applicable with respect to violations of section 5(b) of the said act of October 6, 1917, as amended.*

(Signed) FRANKLIN D. ROOSEVELT.
The White House,
August 9, 1941.

*The section reads in part: "Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both."

Scoreboard

July, 1940

GROCERY STORES				MEN'S CLOTHING STORES						SHOE STORES						AUTO ACCESSORIES, TIRES, GAS AND OIL						MISCELLANEOUS					
1940				1941			1940			1941			1940			1941			1940			1941			1940		
LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
58.2	65.5	67.0	64.1	—	—	—	57.7	59.5	55.9	—	—	—	59.1	—	—	—	61.5	—	52.0	—	—	66.3	83.5	54.0	61.0	73.9	42.0
—	—	40.6	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	65.0	104.0	35.3	56.0	92.3	27.0
—	—	—	—	—	47.0	—	—	44.0	—	—	67.0	—	—	63.0	—	—	—	—	—	—	—	62.7	64.4	61.0	49.0	51.0	47.0
—	—	—	—	—	42.0	—	—	42.0	—	—	51.8	—	—	53.0	—	—	61.9	—	52.4	—	—	68.7	87.0	59.0	63.5	89.0	43.3
—	—	—	—	—	—	—	—	—	—	—	60.8	—	—	56.8	—	—	—	—	—	—	—	52.0	73.0	31.0	—	18.0	—
—	—	—	—	45.0	50.0	42.3	49.5	54.0	42.3	54.3	58.7	49.9	59.6	66.2	53.0	—	65.6	—	79.8	88.3	70.2	50.2	82.6	22.5	53.7	84.2	17.1
63.5	66.5	78.9	54.2	—	—	—	—	—	—	55.5	64.4	46.5	56.1	64.4	47.8	—	—	—	—	—	—	68.0	79.5	56.6	68.5	79.9	57.0
—	—	9.9	—	—	—	—	43.4	50.5	36.2	—	—	—	—	77.0	—	—	—	—	—	—	—	—	—	—	51.0	61.0	44.3
—	—	—	—	38.8	45.3	33.3	37.7	44.4	33.0	44.0	49.0	39.9	45.3	51.2	39.9	—	—	—	—	—	—	—	—	—	—	—	—
—	—	12.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	21.4	27.2	10.9	44.0	47.9	41.1	41.5	45.0	39.0	—	—	—	—	—	—	—	—	85.2	96.1	71.8	—	77.0	84.6	67.0	62.7	79.0	41.0
—	—	—	—	35.9	37.6	34.2	35.1	36.4	33.9	41.9	41.9	41.9	43.0	43.0	43.0	—	—	—	81.0	81.0	81.0	46.2	46.2	46.2	50.0	50.0	50.0
—	—	20.0	—	—	—	—	—	—	—	—	—	—	82.3	82.7	81.9	—	—	—	—	—	—	—	49.0	—	—	—	—
—	—	—	—	50.5	56.0	45.1	51.7	56.4	47.0	—	—	—	—	—	—	—	76.4	—	65.7	81.4	50.1	58.8	99.7	41.4	70.1	89.6	34.5
—	—	—	—	40.4	44.9	35.4	39.9	44.3	35.6	—	60.2	—	—	58.6	—	—	—	—	—	—	—	68.0	—	66.1	67.0	65.2	—
—	—	—	—	49.4	55.1	43.7	48.2	56.0	40.5	—	53.0	—	—	42.0	—	—	—	—	—	—	—	51.4	—	52.4	54.8	50.9	—
—	—	—	—	45.4	59.0	35.2	39.6	40.0	39.3	54.6	60.0	49.0	54.9	59.5	51.0	—	—	—	—	—	—	—	—	—	—	—	—
4.9	58.7	69.9	47.5	48.1	51.9	44.2	46.9	50.9	43.0	67.4	76.6	58.2	65.8	73.3	58.3	—	—	—	—	—	—	66.5	77.0	56.0	64.2	74.5	54.0
49.1	46.9	62.9	39.2	46.9	61.8	43.8	46.4	63.1	42.7	—	—	—	—	—	—	—	—	—	—	—	—	62.6	78.3	51.0	70.3	84.6	58.3
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	59.6	74.0	49.4	51.5	60.6	43.0
30.0	48.5	59.1	38.0	37.8	38.0	37.7	36.0	38.0	34.0	—	—	—	—	—	—	—	—	—	61.0	81.3	46.0	69.4	87.0	24.0	51.0	70.7	18.0
—	—	—	—	48.6	48.6	48.5	45.5	45.7	45.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
0.9	39.4	54.2	24.6	42.1	49.3	40.0	45.0	50.0	38.2	—	—	—	—	—	—	—	—	—	—	—	—	26.0	—	—	15.0	—	—
—	—	—	—	52.0	54.1	50.0	—	51.8	—	—	54.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	50.2	52.4	48.0	47.1	51.2	43.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	40.8	42.9	40.8	41.1	42.1	40.1	—	63.0	—	—	60.0	—	—	—	—	—	—	—	—	56.0	—	57.7	63.4	52.0
—	—	—	—	—	41.0	—	—	40.0	—	—	42.0	—	—	46.0	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	49.5	59.0	43.0	46.1	47.5	44.6	72.1	74.0	70.1	72.6	77.0	68.1	—	32.5	—	24.8	—	—	37.6	52.0	16.0	28.5	36.7	15.2
—	—	—	—	43.4	58.2	32.0	39.9	50.3	35.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	49.0	—	—	—	52.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	49.9	56.5	43.3	47.5	57.8	37.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	42.0	—	—	—	38.5	—	—	53.2	—	—	53.5	—	—	—	—	—	—	—	—	—	—	—	—	—
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—	15.4	—	—	44.6	46.4	42.8	41.7	42.5	41.0	—	40.1	—	—	40.7	—	—	—	—	—	—	—	—	—	—	—	—	—
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2.2	16.0	22.8	9.9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	21.7	—	37.0	43.8	34.5	—	39.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	52.7	56.5	46.7	—	—	—	50.4	61.7	45.0	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	45.7	47.0	44.4	46.0	46.7	45.3	48.2	51.5	45.0	—	46.2	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	34.8	44.1	34.5	35.6	39.4	34.5	46.2	72.5	40.7	48.1	72.1	40.0	69.7	74.4	69.1	70.0	76.8	61.6	—	—	—	—	—	—
—	—	—	—	60.2	71.2	47.0	57.6	68.7	50.2	49.6	59.9	42.6	51.5	64.9	43.5	—	—	—	—	—	—	60.2	72.3	56.0	61.8	73.5	52.9
—	28.0	45.0	22.0	—	—	—	50.6	51.0	42.3	—	—	—	—	—	—	—	—	—	71.9	75.7	69.0	—	—	—	65.5	93.0	35.5

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UNITED STATES AND CANADA -- CONTRIBUTE THESE FIGURES MONTHLY

SEPTEMBER 17 CREDIT WORLD

The Art of Interviewing . . .

Wherein we learn that the interview should be a search for those intangible elements which will enable credit executives to grant credit on the most important of the 3 C's—CHARACTER—the basis of credit.

LEONARD BERRY*

Credit is playing an increasingly important part in our economic and social life, and, consequently, much is being written and spoken concerning its significance, implications, operation, and management. Credit Associations, both local and national, hold meetings and conventions for the purpose of exploring and clarifying the myriad angles of credit extension. Numerous textbooks have been published which form the basis for courses offered by universities, colleges, business schools, etc., in the vast field of credits and collections.

Credit, as a business science, as a form of financial management and as a factor in the creation and the maintenance of our standards of living, is explained, examined, described, improved and assimilated. It is because of this comprehensive and thorough coverage that it is a little difficult to unearth any new aspect or to further treat any known aspect. However, because I have long been intrigued by one phase of credit granting, the significance and importance of the interview, perhaps this will stimulate the thinking of others along new channels.

The interview is common to most forms of credit although in sharply varying degree. It is used more in some fields, less in others; it is essential in some and non-essential in others; yet in all fields it offers a fruitful source of investigation.

Basis of Credit

The problem of credit traditionally consists of the discovery and evaluation of the capital, capacity, and character of the seeker of credit. In nearly all concepts of credit, including those where credit is regarded as potential as well as actual, there appears, in one form or another, an emphasis on the factor of character. By this we mean the intent of the debtor to fulfill the obligation while not minimizing the importance of the factor of ability.

Thus credit rests on two principal foundations: (1) Objective evidence obtained from reports, performance and opinion; (2) the intangible and less obvious factor of character. The documentary evidence necessary for the analysis of the risk from a financial standpoint is usually available, and can be studied; the ratios made; the comparisons effected; and the probable course of the individual or business charted with reasonable exactitude. From this a decision can be made by any competent accountant with business acumen and experience, and needs no personal contact for its successful determination.

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 19, 1941. Mr. Berry is the Credit Manager of B. Forman Co., Rochester, N. Y.

Character, however, which all will concede is a necessary corollary of ability, is less discoverable by documentary analysis and less susceptible to definition by coldly scientific procedure. For this reason, a character estimate requires the benefit of the personal interview. This is essential for bringing out the shadings and nuances, the delicate perceptions and emotional reactions, and for the opportunity to recognize those subtle hints and suggestions which determine the worthiness of the credit seeker.

Credit Manager Plays Dual Role

It is perhaps because of the difference in these two foundations of credit that the Credit Manager must perform a dual role. He must be a philosopher or expert in human relations, as well as a chemist, gathering facts, weighing, measuring and exactly defining. Perhaps because of this, most credit men are versatile and agile in shifting from one role to another, which gives the spice, tang and appeal to credit work, providing the job, incidentally, with its great opportunity. If the discovery of ability were all that was necessary to be a good credit man, then the profession would be robbed of its challenge, charm and greater scope. According to most credit men, there is more to credit granting than the mere robot-like precision of reading and interpreting a balance sheet or financial statement. Furthermore, we know that if credit were extended solely on the ability factor, there would be a sharp shrinkage in the volume of transactions with a corresponding disruption of economic life.

As the orders of each day come to the credit office, they are separated into groups. Many can be approved instantly, either because of an established credit standing, or because they are so indubitably good that passing the order is mere routine. Others need more investigation, then are passed on evidence that they are good. A further number need more careful consideration. These are referred to higher authority and the customary sources of credit information are supplemented by more searching investigation, but ultimately they, too, are passed.

No credit manager feels his capabilities severely challenged by such problems, and they require no great portion of his powers of analysis or deduction. Beyond these, however, there is a group of orders which offer a serious problem; cases which are the real reason for a credit manager. It is in the disposition of these orders that he shows himself to be more than a checker of credits and here he has a chance to draw on his greater powers.

Credit Checker or Credit Executive

It is easy to be conservative, to accept none but the gilt-edged risk, to have a standard of requirements so severe that only the best can measure up to it. This is the path of least resistance, the path to a perfect bad debt score. His handling of these orders will mark the degree of his development from the status of credit checker to the status of credit executive.

To return to our earlier analogy of the chemist and the philosopher, this is the point where the chemist in the credit man gives way to the philosopher, searching for the less obvious and distinct phases of credit equation. Moreover, it is in this area of his work that the success of his firm, so far as credits are concerned, will be determined, and the difference between a satisfactory operation, both from the angle of sales and profits, and an unsatisfactory one will be created. It is here that the search for the corollary factor to ability, character, will be intense and important. It is here that the more he knows about the individual, beyond what is shown in the customary report, is of decided moment and of inestimable value. It is here that the personal interview, as a means of determining the hidden values, comes into prominence. And it is here that we start our inquiry into the art of interviewing.

As a first consideration, just what is an interview? According to Webster, an interview is "a mutual sight or view, a meeting face to face, a conversation or questioning, especially for the purpose of obtaining factors or information for publication." The interview is, therefore, a mutual thing, having two or more parties to it, and, correspondingly, having two or more spheres of influence. The interviewer has two objectives: (1) to obtain information and to receive impressions; and (2) to win the person interviewed. In order that the required information can be obtained, the one interviewed must be induced to have a cooperative frame of mind, and made to feel that the interview is a pleasant and interesting experience, so that the results will be mutually satisfactory.

Perfect Interview Not a Standard Thing

The success of a business enterprise in selling its product or goods depends on several factors. Among these may be: price, quality, deliveries, service, location. In addition, those real but less tangible elements of personal interest and willingness to serve are considered of importance in customer acceptance.

In the personal interview, you, as the interviewer, for the moment embody the whole company in your own person, and, while you may not be responsible for any shortcomings in the first named factors, you can by a generous use of the intangible factors often overcome them, and win your customer. It will be readily recognized that the perfect interview will not be a standard thing, cut according to exact specifications, the same for all men and for all occasions. On the contrary, each interviewer develops his own technique, and what may be correct and efficacious for one will be fatal for another. However, general objectives may be defined and developed.

First, the interview should continue the selling process. Credit is recognized as being promotional as well as protectional, and the credit executive not thoroughly imbued with the sales idea is failing to use the tool of credit to

its fullest possibilities. Why some Credit Managers carry a perpetually negative attitude, frozen and suspicious, is difficult to understand, in view of the facts which show that the overwhelming proportion of applicants are granted credit in varying amount, and only a small minority are rejected.

Surely a positive and radiant attitude should be the standard approach to the situation, cheerful, affirmative and optimistic. This will be the correct one for the vast majority of cases with the negative attitude held in reserve for the minority who need it. Even the negation should be in a salesmanship fashion, building good will by leaving the door open for further consideration when circumstances warrant, although, at the moment, credit is not granted.

Sales Effort Preceding the Interview

It would be a salutary mental exercise for the interviewer to think of the epic of sales effort which has gone on before this particular prospect was inspired to the point of placing an order. Advertising has been created, and space bought in national and local publications to carry a sales message. Radio time has been bought and programs developed at great cost to obtain customer acceptance. Salesmen have fought for orders, spending time and money to bring a prospect to the point of signing on the dotted line. Packaging experts, display directors, copy writers have poured out their skill in devising appealing and arresting methods of selling. Store managers, house superintendents have studied building layout, lighting, structural excellence, color and line, showcase arrangement, eye appeal of all kinds. Personnel experts have slaved over individual problems and have worked to induce the spark of sales enthusiasm in salespeople.

Countless men and women tending machines in making the product, others in transporting it, have all cooperated in a mighty effort to make the merchandise available at the right time, in the right style, in the right quantity. Thus goes the song of the saga of human effort, skill, enterprise, forming the long chain which precedes the credit interview. The final link in the chain, surely, by all count, should be primarily and chiefly sales continuance.

Second, the interview should be a search for those intangible elements which will enable us to grant credit on the basis of fulfilling the twin credit requirement, character. The order emanating from the individual or firm of well recognized credit-standing offers little or no challenge to the credit man. Here the cursory check of identity and authority, plus reference to past record or the current position will suffice for speedy approval with no misgivings or apprehensions whatever.

Credit Executive's Background Helps in the Interview

It is where the picture is less clear, and where the various factors do not add up to the perfect credit equation that the credit man feels a challenge to his powers of perception and of search for the hidden values, and in thus facing the responsibility of finding a way of passing the order and at the same time of satisfying his credit requirements, he emerges into his higher status of credit executive.

There is a quickening of his wits, he smells the smoke of battle, and his mind responds alertly to the situation.

Those unused reservoirs of experience, knowledge and of general human understanding are drawn upon and he has the thrill of creative work. Leaving the well-beaten path of least resistance, he charts a new course and, while remembering his credit precepts, ventures into the realm of human equation, searching for the clearing in the forest of doubt, on which he can rest his structure of credit confidence.

The historian in the credit man is perhaps here subordinated to the prophet. It is here that he relies less on the record of past performance but tries to pierce the veil of the future; to extend the credit not on the basis of what has been done, but on what will be done.

During his whole career the credit man has been absorbing bits of information, experience, and the experience of others. His attitude on questions of human behavior has been strengthened or weakened by the countless items that have impinged on his consciousness. In the interview this vast background of fact, information and opinion will be of immense importance; this backlog of mental resources will help the small flame of judgment to burn brighter and more confidently.

True Test of Ability

As a further consideration, it is incumbent on each of us to aid the other fellow to secure a foothold on the ladder to success. In our own career, surely someone recognized something in us that was not apparent in the record, or could not be ascertained from the history, and gave support to that early rung in the ladder that would not have borne our weight unaided. And so we climbed to the next, until the ladder was strong, assured, and completely safe. We are the product of helping hands along the way, we cannot take all the credit for being where we are today; similarly we have the responsibility and the privilege of helping others who are now at the critical stage of progress.

An efficient credit man will eagerly accept the opportunity of the interview to use his powers of deduction, philosophic appraisal, and faith in worthy humans. He finds in the interview the true test of his credit ability and fitness to be called a business executive. Make the interview pay dividends of profit for your firm and also of your own personal satisfactions by an insatiable appetite for the discovery of the intangibles.

In the third place, the interview should proceed in such a manner that each party to it will remember it as a pleasant event. It would be hard to calculate how much business has been irrevocably lost and how much good will destroyed, or died a-borning, because of failure to please and attract by our personality. On such a foundation does our success rest, that often a misspoken word, an annoying gesture, an acid, suspicious expression will tear down the delicately balanced structure of business friendship and confidence.

Other men are like ourselves, no better, no worse; and it is revealing to inquire into the reason for some of our own likes and dislikes; to trace back to the beginning of that now implacable dislike, that fervent disapproval, that earnest desire to have nothing to do with this person or that firm.

Be truthful. In many instances does not the genesis of your firmly molded prejudice turn out to be the most trivial and seemingly inconsequential? It was born way

back in some ephemeral and shapeless cloud, no bigger than a man's hand, but has grown and become magnified into a thing that no other virtue or excellence can counterbalance.

Human Relations

On the credit side, how many of your most loyal and articulate friendships, your most ardent "likes," were begun by a warm handclasp, a cheering word, just the right approach, exactly the right treatment? As human beings we are similar in that much of the body of minute detail which adds up to like or dislike is composed of a trace of this, a dash of that, a smattering of this, and a film of that.

Weak as we are, creatures of emotion, while priding ourselves on keen and discerning minds, yet we are swayed and affected by our hearts; and often the heart wins out, even when the cold calculating brain says something else. The success of the interview will rest in many cases on the human side of the situation, and it is well for us to consider this in our thesis. It has been my feeling for some time that only persons endowed with a certain type of psychology should interview.

Those who enjoy the thrill of human contact, and can be objective in their approach to a customer's problem; only those who are possessed of that blessed thing, personality, which can be defined as a "radiant development of those positive qualities that build character and attract others, by reflecting a genuine interest in the needs and desires of our fellow-men." Pour yourself out in your interview, unleash those restrained qualities of genuine love for others, radiate optimism, transfer your focal point of interest to the other side of the desk, and you will be amazed at the results.

As the morning-glory turns toward the sun, and opens widely and avidly for the rays of warmth and strength, so your interview blossoms and relaxes in the warmth and benevolence of your attitude.

An Art, Not a Routine

Each of us is carrying what he considers a unique and heavy load of personal trouble. Each of us feels sometimes, that the deal has been unfair, that the cards are against us. To no other person has come the program of difficulty that is ours, and when we find a sympathetic and warm understanding, how eagerly we turn to that person and gratefully absorb the consolation and encouragement offered.

Everything in life is defined in terms of comparison and the troubles of one, compared with those of another, seem small and we would gladly change loads. Yet in truth, the troubles of one are just as serious as the troubles of another, and it is the effect which is important, not the actual thing. The interested listener, the eager helper, the consoling adviser, the warm friendly encouragement of the friend, will melt the ice of indifference, will chip off the veneer of hostility, and then the road opens wide for the progress of the interview, for the fulfillment of the purpose for which the interview became necessary or desirable.

By a careful study of the individual, one can discover the golden key to his affection, can avoid the dangerous shoals of obstruction and dislike. Dale Carnegie, Elmer Wheeler, and others have demonstrated to the world

the significance and importance of the correct word, the correct gesture, the golden phrase. And the student of human relations will find his own personal strength in using his individual gifts of personality to attract and, using them, will convert the interview into an art, not a perfunctory routine.

Factors to Be Considered

After the interview is completed, and you resume other activities, and your customer goes about his affairs, can both reflect that the interview was a pleasant event? The answer will be the gauge of its success. These then are the general objectives of the perfect interview. Space will not permit of more. However, we should briefly think of some factors which will condition the interview.

Among these will be the emotional state of each party to the interview; and our job will be to control our own mental state beforehand, to try to be in complete balance ourselves, and then to adjust ourselves to the other person's emotional condition and attempt to generate a favorable situation for the purpose. Other factors will be the age, social and business standing, rank, sex, and general physiological make-up of each.

For example, the manner of a younger person toward an older should be somewhat different than when the reverse is the case. Older people expect a modicum of consideration from younger and are apt to resent, secretly it is true but none the less resent, an overconfident, brash, dictatorial attitude from one patently less experienced, even if conceded to be cleverer and smarter. Again there are those who have been surrounded with deference and preference and who, unless so treated, feel insulted and assuredly will look with little favor on one so bold as to assume a superior attitude.

Interviewer Primarily a Salesman

Some people need a certain amount of praise, if not flattery, in their daily diet, and the wise interviewer will know when to use the honeyed phrase and when to talk "straight from the shoulder." Some interviewers have much better success in interviewing men than they have in interviewing women. The technique is entirely different and the approach should vary accordingly.

The interviewer is primarily a salesman and selling principles have long taken into consideration the difference in the mental and physical make-up of prospects. It has been well recognized in salesmanship, that the person being "sold" be classified as to type: conservative or liberal, extrovert or introvert, practical or dreamer, stolid or imaginative, worldly or idealistic, and appealed to on the basis of which angle of presentation will most please. It would be well if all interviewers could and would study the ramifications of the structure we call "modern salesmanship" and interview with salesmanship objectives in the forefront. The interview will be further

conditioned by the surroundings and general atmosphere. Where the interview takes place in the office of the interviewee, there is little that can be done by way of controlling this aspect except perhaps to observe the common amenities of polite behavior when in another's office or home.

For example, it is well to remember to wait to be invited to be seated before settling down. Avoid the habit some salesmen have of drawing a chair uncomfortably and unpleasantly close to you and then whispering confidentially into your ear. Try for a seat well in front of your customer, so each can see the other full-face, and be sure, if possible, that the light falls on your face so the cordiality, which should sparkle in your eyes, is easily seen. However, when the interview takes place in your own office there is much you can do to control the surroundings and the general atmosphere.

A Few Suggestions

To the average customer, this particular transaction is very important and the surroundings should reflect this importance. An appearance of casualness, disorder, indifference, or dinginess, will detract from the effect on the mind of the customer, and thus make the selling job more difficult. Desks free from the accumulation of the debris of the day, comfortable seats for the visitor, good lighting, a bright, cheerful, quietly opulent air, and the

impression created that this is by far the most significant event of the day, all add up to easier selling.

One item in our scrutiny of interviewing technique is the experience which the individual has had in such matters. The applicant, having gone through several such interviews, will be accustomed to the routine and will have a mental reference to others, for comparison to your benefit or disadvantage. The applicant, unused to such experiences, will be timorous at first and, having rather dreaded the event, will be the more agreeably surprised if treated with consideration. The interviewer having some or much experience in interviewing will bring to the event his accumulated knowledge and ability and will readily capitalize on the favorable factors. He will step warily around the pitfalls into which a less experienced person may slip.

Last in these considerations, the temperature and the weather must be taken into account. Like Mark Twain, there is little one can do about the weather, beyond talking about it, outside the office, but much one can do about it inside. Modern air-conditioning has brought comfort to many an uncomfortably warm customer, and the resultant ease has promoted sales acceptance. When a person is too hot or too cold, the matter of bodily comfort is prominent in mind, and the selling job is less assured of success.

Credit interviews should take place in surroundings and in an atmosphere which will give the maximum de-

(Turn to "Interviewing," page 30.)

In the October Issue

"Effect of the War on American Business," by Arthur B. Adams, University of Oklahoma, Norman

"Keeping in Step With Constantly Changing Conditions," by Francis Amsler, E. M. Scarbrough and Sons, Austin, Texas

"Management Casts Its Eye on the Credit Executive," by J. T. Machat, Ross Federal Service, New York

"Effect of Defense Taxation on the Consumer," by W. L. Gregory, Plaza Bank, St. Louis

"How About the Cash Customer?" by Harry Deane Wolfe, Kent State University, Kent, Ohio



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In a democracy, a land of personal freedom like that in which we are privileged to live, the road to advancement individually and nationally is a path known as education. Most of us have come a long way since our primary school days—the days of the three R's. Now there are many opportunities in the educational field and a chance for everyone to learn more about his chosen profession. In the retail credit field, today is the day of the three C's, and those interested in learning about credit practices and procedure, business correspondence, management and other related subjects are offered the opportunity through the Credit School Plan sponsored by the National Retail Credit Association.

Under this Plan two educational courses are offered. The first, Retail Credit Fundamentals based on the textbook of the same name by Dr. Clyde Wm. Phelps of the University of Chattanooga, has been carefully prepared by the Educational Committee of our Association for those progressive persons who are alert to a need for study of the basic principles of retail credit, and the second course, Streamlined Letters, also based on a textbook of the same name and written especially for our purpose by Waldo J. Marra, Correspondence Director of the Bank of America. In addition, an advanced course is planned and will be made available in the fall of 1942. It will be based on the subject of Credit Management and a textbook is now being written by Dr. Phelps. Our method of personnel training is one that when completed will logically cover four years of study or four Credit Schools.

Benefits Are Many

Credit Schools benefit first of all the student, then the firm, then the local Retail Credit Association, and finally the community. The student benefits through advancement and a broader knowledge of the subject at hand. The firm through the saving of time and money expended in training new employees. The local Association benefits by an increase in memberships and a ready acquaintance of many retailers with the functions of the credit bureau. The community benefits through smoother credit department efficiency and better services for the customer.

Two practical, authoritative texts offering a golden opportunity not only to study these subjects in class work, but also handy to be kept on a desk and referred to from time to time as problems present themselves. The style of writing in each is simple, straightforward, and easy

to understand. They avoid involved, technical language and academic phraseology, and an effort is made throughout each to explain the "reason why" rather than merely tell what is done and how. They will be found easy reading by every employee in the credit department, as well as by experts. You will find them a veritable gold mine of ideas.

Though the two text and reference books need no testimonials here, it is noteworthy that since publication of *Retail Credit Fundamentals* in September, 1938, more than 10,000 copies have been placed in the hands of persons who wish to broaden their knowledge on this subject. Although the textbook *Streamlined Letters* is more recent, having been published in the fall of 1940, more than 3,500 copies have been distributed to students of Credit Schools and other business and professional men and women interested in writing better correspondence.

The success which these books have enjoyed is indeed warranted, and we urge you to write now for a copy of each on approval. Also write for a free copy of *How to Organize and Conduct Credit Schools*, a booklet which gives full particulars about the method to follow in promoting an educational program such as 140 cities have successfully conducted since the beginning of our Credit School program. Fill out the coupon below and a free copy of the brochure will be sent to you promptly.

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CREDIT FLASHES

St. Paul Association Elects

Newly elected officers of the St. Paul Retail Credit Association, St. Paul, Minn., are: President, Edward W. Budke of Curtis 1000, Inc.; Vice-President, B. A. Mulligan, St. Paul House Furnishing Co.; and Secretary-Treasurer, T. L. McGill, Mutual Credit Rating Exchange. Directors: Miss Katherine A. Rasey, M. L. Rothschild & Co.; and C. H. Primasin, Minnesota Milk Co.

Washington, D. C., Credit Men Elect

The following officers and directors were elected at the annual meeting of the Associated Retail Credit Men of Washington, D. C., on July 22: President, E. Emerson Snyder, Raleigh Haberdasher; Vice-President, Samuel E. Collegeman, Morris Plan Bank; and Secretary-Treasurer, John K. Althaus. Directors: Harry N. Aiken, Grosner's; Leo Baum, The Goldenberg Co.; Benjamin Blanken, Chas. Schwartz & Son; Abe Coonin, Wm. Hahn & Co.; Wm. F. Hisey, Palais Royal; Charles M. Keefer, S. Kann Sons Co.; Elsie M. Lee, Frank R. Jelleff, Inc.; Roscoe W. Reichard, The Hecht Co.; Herbert J. Rich, B. Rich's Sons; Frank P. Scott, Woodward & Lothrop; Joshua P. Stedehouder, Lansburgh & Bro.; and Ben Stein, Benson Jewelry Co.

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CREDIT SALES MANAGER: Canadian. Age 38. Department store connection desired. Eight years' experience Assistant Credit Manager of large department store; 4 years as Retail Credit Manager of major Canadian oil company. University Graduate. Specialist in writing effective letters. Thorough knowledge of accounting and modern business methods. Address Box 94, CREDIT WORLD.

Help Wanted

An Illinois organization, operating a chain of retail lumber and fuel yards, seeks a credit man of mature years to work at contacting customers with past due accounts. He would have his own car and would be allowed car expense. Salary \$125 per month. Address Box 91, CREDIT WORLD.

Oklahoma City Elects

Newly elected officers and directors of the Retail Credit Association of Oklahoma City are: President, M. R. Redman, DuLaney's; Vice-President, Ben Leyerle, Oklahoma Gas & Elec. Co.; Secretary, Josephine Purdin, Lain-Eastland Clinic; and Treasurer, Herbert Pickett, Morris Plan Bank. Directors: Burl Graves, Skelly Oil Co.; Robert McKee, Okla. Industrial Finance Corp.; and Ben Dilworth.

Frank S. Osen in New Position

Frank S. Osen, formerly Credit Manager of McKale's, Seattle, Wash., has been appointed Credit Manager of The Maxwell Petroleum Corporation, Tacoma, Wash.

Irma Radcliffe Appointed Credit Manager

Miss Irma M. Radcliffe has been appointed Credit Manager of The Emporium, St. Paul, Minn., by Lambert S. Gill, who has just been appointed Vice-President and General Manager.

N.A.D.A. Manager Resigns

Walter E. Blanchard recently resigned as Manager of the National Automobile Dealers Association and Irving H. Post, Assistant Manager, has been appointed acting manager of the Detroit office.

E. M. Munn in New Position

E. M. Munn, formerly Co-credit Manager of Sakowitz Brothers, Inc., Houston, has joined Meacham's, Inc., Fort Worth, as head of the credit department. He succeeds Sam Dugger, who has been in charge of the firm's credit section for many years. Mr. Munn was connected with Gano-Downs, Denver, for 18 years and was Credit and Collection Manager for a long time.

E. F. Horner Catches Sailfish

E. F. Horner, Credit Manager, Kline's, St. Louis, and a former National Director, caught a sailfish weighing 54 pounds while on his vacation at Miami Beach, Florida. It was 7 feet 4 inches in length. He is the proud possessor of a certificate from the Miami Beach Sailfish Club attesting his catch.

R. Leo Frye Elected Officer of Rothschild's

R. Leo Frye, for the past eleven years, Office and Credit Manager, and later Personnel Manager, Rothschild's B & M, Oklahoma City, has been transferred to the Rothschild Kansas City store, and has been elected Assistant Secretary of both stores. He will have charge of the entire office operations of both stores, including supervision of credits and collections, also personnel work.

Edith F. Graham, formerly Assistant Credit Manager of the Oklahoma City store is now Credit Manager and Violet Scott continues as Credit Manager at Kansas City.



Letters To The Editor

"A loyal spirit of devotion to the Nation's welfare, such as that exemplified by the resolution adopted at the Twenty-ninth Annual Conference and Credit Sales Forum of the National Retail Credit Association, is indeed reassuring to the President. These are days of national emergency when unreserved co-operation and wholehearted support give added impetus to the Defense Program. The President is exceedingly grateful, therefore, to you and the members of your Association for the thoughtfulness of your action."—Edwin M. Watson, Secretary to the President, The White House, Washington, D. C.

★ ★ ★

"In the absence of the Vice President I am acknowledging your letter of August 5 enclosing resolution adopted by the 29th Annual Conference and Credit Sales Forum pledging its unreserved and unqualified allegiance and support to our Country and flag. I shall be glad to see that this resolution is placed before the Senate."—Harold Young, Assistant to The Vice President, Washington, D. C.

★ ★ ★

"The New York Convention was very fine and constructive. I feel that I got a lot of good out of it."—Arthur Richards, Credit Manager, A. B. Sutherland Co., 309 Essex Street, Lawrence, Mass.

★ ★ ★

"We are very appreciative of your courtesy in sending us extra copies of the July issue of THE CREDIT WORLD. That issue contained some very interesting information which we wanted our foreign representatives to have."—Edna R. Johnson, Assistant to the Treasurer, Westinghouse Electric International Co., New York, N. Y.

★ ★ ★

"Please accept my hearty thanks for your prompt attention to my request for information on June retail credit and collections. I received it in ample time to print it in this week's issue of the Market News. Our readers write us that they follow your reports with great interest."—Frances Kerr, Retailers Market News, St. Louis, Mo.

★ ★ ★

"The cover for the August CREDIT WORLD has a modern progressive feeling. Everything I have heard and read would indicate that our organization is having a wonderful period of growth and I hope that the year just beginning will be even a better one than the one just closed."—Robert A. Ross, Manager, Neiman-Marcus, Dallas, Texas.

★ ★ ★

"Although it is rather late, I want to tell you that I think the New York Convention was most successful. The only complaint I could offer is that it did not last long enough and too many meetings were going on at the same time making it impossible to attend all of them. I spent the bigger part of my time at the Group Conferences and I think that they were all very fine programs."—R. E. Hostetler, Manager, Anderson Credit Bureau, Inc., Anderson, Ind.

"Installment Credit"

(Beginning on page 3)

sideration of all angles of the credit situation when they meet in Chicago in September. We can be reasonably certain that every consideration will be given there to the practical aspects of the problems which we must face daily with our customers, and whatever form the crystallized thinking may take, it will enable us to continue to render service to those risks which we know will continue to be sound, on a basis which will neither shackle us nor impose undue hardships on customers or deprive them of an opportunity by buying goods which are necessary to their well-being.

When the present emergency is over, we look forward to an era in which will exist a more streamlined, more scientific technique of installment selling, in which the destructive competition in terms which has blemished the field up to this time will be ruled out, and terms will conform to sane maximum standards shaped to keep pace with our major economic trends.

Installment selling can, and will, play an important part in the future of retailing. Wartime economy will change its tempo, but it will continue on a sounder, more closely controlled basis, as a major factor in the retailing function. *It is an instrument of economic progress, with which we will be happiest if we not only recognize and develop its potentialities, but profoundly respect its limitations.*

Proceedings

1941

Public Utility Group Conference

A stenographic report of the discussions and addresses given at the Public Utility Group Conference of the New York Convention. Also includes important addresses and discussions on installment legislation, and all the general Convention addresses.

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St. Louis, Missouri

Post-War Policies Affecting Retail Credit



R. PRESTON SHEALEY*

The subject assigned to me is beyond the ability of the average human being to handle intelligently.

That seems to be true if for no other reason than the fact that, in January of this year, a number of bills were introduced in Congress to create post-war commissions on economic conditions. So far as I am informed none of those bills have become law and I do not believe hearings have been commenced upon them.

The situation can be expressed in a homely fashion by the statement of a representative of the Department of Commerce to me recently, in which he said: "We are in the forest now. Why discuss what is going to be on the outside until we get through the forest?"

There is an idea, or a thought, or a course of action, term it what you will, that seems to be prevalent throughout the nation, and that is to proceed cautiously, to watch our business commitments, whatever they may be, whether by way of contract or by approval of applications for credit. We know that America has the industrial capacity, the natural resources, and the mental and moral fiber to pull us through. We have done it before and we can do it again!

Restriction of Credit by Industry

Undoubtedly, as a part of national defense and of sound business policy, there must be some restriction, possibly a very large restriction, on installment selling. Speaking for myself alone and not as an official of the Government—though I have recently conferred with officials of all three Governmental agencies: the Reserve Board, the Department of Commerce, and the Council of National Defense, on this subject—I think I am safe in saying that the Federal Government will much prefer regulation of installment terms by industry itself rather than by the Government. Therefore, the meeting in September proposed by this organization, an organization which has always stood for sound installment terms, fits in perfectly with the picture in Washington.

You may ask: "If terms are adopted or recommended at Chicago, and they are not universally followed, what will come next, what will be the attitude of the Government?" You have read articles in the papers, and you have had discussions of possible legislative enactment on that subject.

There is another way in which the Government will have to act if industry cannot police itself. The President has proclaimed a complete national emergency. Under that proclamation it would be possible, and I may say

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 18, 1941. The author is Washington Representative of the N. R. C. A.

probable, that he would issue an executive order empowering some one of the Government agencies, such as the Federal Reserve Board or the Securities Exchange Commission, to adopt regulations regulating installment sales. But let me emphasize again that the Government would much prefer that industry police itself and fit installment selling into the national program rather than have that done by legislative enactment of Government regulation.

Success of Legislative Efforts

The meeting to be held at Chicago reminds me of what happened at San Antonio last June and what has subsequently happened. We told you then that if there was large scale mobilization, that might occasion the necessity for a Soldiers' and Sailors' Civil Relief Act, we would be on guard at Washington to protect your legitimate interests in the event such legislation was enacted.

In October, 1940, a Soldiers' and Sailors' Relief Act was enacted and it contained a Repossession Amendment in the matter of installment purchases. You know whether or not that amendment has been of value to you. In any event, we feel that it fulfilled our San Antonio pledge.

Since it parallels in a degree the procedure that you are now adopting in regard to installment sales in connection with national defense, you may be interested in learning how that amendment came to be enacted. We took the leadership in July and assembled a committee, composed of the Bankers' Association, The American Retail Federation and certain others. We formulated in our minds what we thought was necessary. We then went to the War Department, worked with the War Department, thereafter with Congress, and that is the way the Repossession Amendment came into being.

Now, you are seeking to do the same thing in your Installment Conference and, looking at it from the Washington viewpoint, I do not see how that Conference can fail to be a success.

We have a good many problems at Washington, as you doubtless know, and as a part of the economic picture both of today and after the war, no matter what happens there will be need for a rehabilitation program for the individual debtor. Chapter XIII fits into that picture. We know that Chapter XIII is not in use in every section of this country today. We do know, however, that it has been a marked success in Birmingham, Alabama, Norfolk, Virginia, and several other places.

You naturally inquire the reason why Chapter XIII is not in universal use throughout the United States. First

and foremost, some provisions that we thought should be in Chapter XIII, Congress did not see fit to enact. Congress did not see fit, when the Chandler Bill and Chapter XIII were going through Congress, to touch on the referee situation. Second, education as to a bankruptcy procedure—absolutely new in the history of this country, touching as it does every section of the country—and does require a continued educational program.

Washington Office Influence In Certain Law Enactments

In 1934 we had a series of bills introduced in Congress. One of those bills dealt with amortization and the debts of retailers. That is law today; we put it into the statute laws of our country. Another law was to create a central agency in Washington to coordinate and make uniform bankruptcy procedure and to investigate complaints in the conduct of individual bankruptcy cases. Through an appropriation bill now before Congress, appropriation has been made, in a large degree through our efforts, to establish, for the first time in the history of this country, a central agency at Washington to do just that.

That central agency will be known as the Bankruptcy Division in the Administrative Office of United States Courts. If you have a complaint about bankruptcy in general or a specific complaint about an individual case, all you have to do in the future will be to write to that Bankruptcy Division in the Administrative Office in the Supreme Court Building in Washington and offer your suggestion or tell them of your complaint, about the individual case. When you do that, it might be well to let us have your suggestion for reform of some legislative amendment or some particular problem in connection with Chapter XIII. Send to the Washington Office or the National Office a carbon copy of the letter you send to the Bankruptcy Division.

Salaried Referees' Bill

The Salaried Referees' Bill, on which we testified recently, is going through Congress at this session. That is another matter that the National Retail Credit Association has pioneered; it was one of that series of bills in 1934. You have adopted successive convention resolutions endorsing salaried referees. You did so at San Francisco in 1939 and again at San Antonio last June.

Salaried Referees means a great deal for Chapter XIII. One Referee wrote to me some time ago and stated that Chapter XIII was nothing less than a source of grief to him. Why shouldn't it be? He is earning over \$18,000 a year and he gets only a few dollars out of these small debtor settlements, so naturally Chapter XIII is a source of grief. But, when they are on a salaried basis, when the fee system is abolished and their work is measured not by their success in putting across large bankruptcies with large assets and large fees but by the way they handle their offices generally, including Chapter XIII, we think it will be a decided step forward in making effective and promoting general use of Chapter XIII throughout the country.

Filing Fees

The McArthur Bill, carrying provision for salaried referees, contained another provision in which we were interested. I refer to the filing fees under these small

debtor settlements. They are too large; they are larger than in the Chandler Bill, the Bill back in 1934 and the successive Chandler Bill; they are larger than in the Act today.

We asked for a hearing before the Judiciary Committee a short time ago to have those filing fees reduced, and while it would be unwise possibly to prognosticate what Congress is going to do or what action it is going to take, I have noticed a very sympathetic attitude on the part of the officials of the Department of Justice, Bankruptcy Commission, toward a reduction in the filing fees.

One other aspect of Chapter XIII is the educational feature. We have not extended that as far as it should go. I have been told that many lawyers of the country do not know about it and, if they do, they do not seem to know how to utilize its provisions. We feel that with salaried referees and a more forceful educational campaign, to bring to the attention not only of debtors but also of the lawyers the benefits of Chapter XIII in rehabilitating individual debtors, another step forward will have been taken.

Salary Garnishment of Government Employees

There have been some unexpected developments in connection with the garnishment of salaries of Government employees. In February, 1940, the Supreme Court handed down a decision in Federal Housing Administrator vs. Burke. That case was taken to the Supreme Court by the Department of Justice, because it involved the salary of a Government owned corporation, the Federal Housing Administration. The Supreme Court held that if the corporation possessed the power to sue and could be sued, then garnishment could be had of any of its employees.

There are, roughly speaking, about forty federal owned corporations and of that number only two do not possess the power to sue and to be sued. As a result, there has been a flood of garnishments throughout the country.

Manufacturers, large corporations generally, or even merchants, are very much inconvenienced by garnishments levied on the salaries of their own employees. If that is the case with industry, you can imagine what it is with the Federal Government. For example, when a garnishment is levied against a branch of the Federal Housing Administration located in Michigan, it is forwarded to Washington. The result is that officials for the Federal Government, counsels for those corporations, would probably become very much irritated. If the bill had been introduced we would have met with strong opposition from the Federal Government, because the procedure has not been devised to cause as little inconvenience as possible to the disbursing officers and the legal staff of the Government.

Simplified Garnishment Procedure

We are working with officials in Washington to try to devise a simplified procedure. I have had several conferences with the Chief Clerk of the Treasury. He has always been sympathetic to this problem of garnishment of salaries of Government employees. I have also had conferences with the attorney in the Department of Justice, who handled the Burke suit. It seems to me we can devise a simplified procedure, which will make it less burdensome on the Federal Government. If we can do

that, and go to Congress we will not meet with the opposition of the Federal Government, and I would say that would be another long step forward.

The last National Retail Credit survey has not been published. That was due to complications with the Bureau of the Census. In the present survey, one industry has been summarized and, a few days ago, it was ready for release. As to future surveys, I think I can definitely promise you that they will be speeded up much more than in the past and as far as the requirements of national defense permit.

I take this occasion to thank the American Retail Federation, the Legal Aid Society of New York City, and Mayor Chandler of Memphis, author of the Bankruptcy Revision Bill, for their efforts and support of Chapter XIII in general and our request for reduction in filing fees under wage-earner settlements at the hearing before the Judiciary Committee of the House of Representatives.

The Credit Clinic

Because of the addresses and other reports from our 29th annual conference, we have been somewhat crowded for space in the past two issues of *The CREDIT WORLD*, and have, therefore, eliminated the Credit Clinic. Many of our Credit Clinic followers tell us that they have missed it, and we expect to resume this feature with the October issue.

Let the Credit Clinic help solve your particular problem! If you are confronted with a particular credit department problem, why not submit it to the Research Division for a practical solution?



*Running
them down
is an
ART*

There are more skips TODAY than ever before. People have moved—seeking work—to get away from creditors—and YOU.

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1218 Olive St. St. Louis, Mo.

BAROMETER of Retail BUSINESS

Sales and Collection Trends

July, 1941, vs. July, 1940

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

CREDIT SALES increased 10.3 per cent during July; total sales 10.2 per cent; and collections 3.4 per cent, in the United States and Canada, as compared with July, 1940. *This is the eleventh consecutive month that collections, credit and total sales have increased as a result of preparations for the defense program.*

Highlights of the monthly analysis are shown in the tables below:

Highlights for July

- 43 Cities reporting.
- 16,007 Retail stores represented.

COLLECTIONS

- 35 Cities reported increases.
- 3.4% Was the average increase for all cities.
- 25.0% Was the greatest increase (Mt. Clemens, Mich.).
- 3 Cities reported no change.
- 5 Cities reported decreases.
- 10.3% Was the greatest decrease (Grand Rapids, Mich.).

CREDIT SALES

- 42 Cities reported increases.
- 10.3% Was the average increase for all cities.
- 31.2% Was the greatest increase (Dayton, Ohio).
- 1 City reported no change (Torrington, Wyo.).

TOTAL SALES

- 40 Cities reported increases.
- 10.2% Was the average increase for all cities.
- 33.0% Was the greatest increase (Dayton, Ohio).
- 2 Cities reported no change.
- 1 City reported a decrease (15.0%, Jacksonville, Fla.).

"It Can't Happen"

(Beginning on page 6)

power from a national trade association standpoint to make credit reports bearing our emblem an assurance of accuracy and reliability. We must strive towards the utmost development of our resources by strengthening our mechanical tools of reporting in serving all lines of business requiring consumer credit reports, and by constantly improving methods of operation.

As retail credit granters and as bureau managers, we all must bring about in our communities mergers of small bureaus, serving individual lines of business, with the central bureau. And since the problems of all those associated with the credit fraternity are closely interwoven, it behooves the credit granter to see that men experienced in bureau management are placed in charge of bureau operations. Again, in credit reporting and in credit granting we all should bear in mind the factors that comprise a complete report upon which the extension of credit may be based. It follows that the decision as to whether we shall be able to move forward with our times rests with each individual bureau manager and with each granter of retail credit in America. Certainly, we should accept this responsibility, for the effectiveness of our efforts must depend in the last analysis upon good administration.

And we shall be able to meet the new systems as they come into our world and to prevent any reasons for Government regulation of our businesses as we are able to prove our capacity to deal efficiently with our own problems. *We will go forward! We will not retrogress! It can't happen to us!*

Buy a Share in America

Defense Savings Bonds and Stamps give us all a way to take a direct part in building the defenses of our country—an American way to find the billions needed for National Defense. The United States is today, as it has always been, the best investment in the world. This is an opportunity for each citizen to buy a share in America.

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for The Credit World

PAMPHLET type with stiff blue fabricoid covered sides and the words "Credit World" lettered in gold. Holds 12 issues. There is an individual wire for each issue, easily inserted. Every member should have a binder for each volume. Price, \$1.35, postpaid. ❖ ❖ ❖ ❖

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1218 Olive Street St. Louis, Missouri

Credit Careers

Erwin Kant

Erwin Kant, General Credit Manager and Assistant Treasurer of Ed. Schuster & Co., Milwaukee, Wis., and the genial immediate past-president of the National Retail Credit Association, celebrated a quarter of a century of service with the store on July 31. He was feted with a number of parties in honor of the occasion and received several gifts as well as many letters, telegrams, and floral bouquets from his many friends throughout the country. Mr. Kant's first job was that of office boy at the Frankfurth Hardware Company, Milwaukee. He was then employed at the Blatz Brewery for twelve years, becoming sales and credit manager before going with Schuster's. He is the father of the Wisconsin Retail Credit Association; a member of the Associated Retail Credit Men of Milwaukee for 25 years; and chairman of the credit bureau of Milwaukee Association of Commerce. We congratulate Mr. Kant and wish him every success for the future.

George C. Robinson

George C. Robinson, Secretary-Manager, Retail Merchants Association of Richmond, Virginia, Inc., celebrated 25 years of service with the Bureau on September 1. A splendid record of loyalty and successful endeavor for which we congratulate Mr. Robinson.

Lambert S. Gill

An interesting achievement of success is noted in the recent election of Lambert S. Gill as Vice-President and General Manager of The Emporium, St. Paul, Minn. He is also a Director of the firm and was formerly Treasurer. Mr. Gill has been with The Emporium for 25 years, coming up through the credit department. We wish him every success in his new position.

Emblem

E
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1 inch
"Reverse"
75c



3/4 inch
"Reverse"
50c



3/4 inch
"Open"
50c

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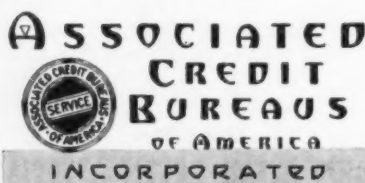
Through this Complete Accurate Reporting System

When you contemplate extending credit to your individual customers, less than all the facts is an injustice to you and the consumer alike. Complete, accurate *Factbill* reports of paying habits and financial responsibility are essential if you are to avoid loss and be fair to the applicant at the same time.

Thirteen hundred and fifty members of the Associated Credit Bureaus of America and Canada stand ready to furnish you factual retail credit data, taken from the actual ledger records of thousands of merchants and professional men. Such reports give you exact knowledge of the individual's existing commitments and the manner in which they are being met. Records are available on more than 60,000,000 people today.

Your local credit bureau has the nationwide facilities of this Association at its disposal. On request, this vital information is available to you at a very nominal charge.

Look for the listing of the Associated Credit Bureaus of America in your local telephone directory...or write for free booklet which gives full details.



Executive Offices, 1218 Olive Street,
ST. LOUIS, MISSOURI

"Interviewing"

(Beginning on page 18)

gree of comfort to both interviewer and interviewee. Look out for the customer's welfare in such *mighty* little things; be solicitous in attention to all fine details and points of courteous and thoughtful service and the result will be surprisingly productive.

Now we approach the end of this cursory journey into the fascinating realm of credit interviewing. We have seen that the interview is of vital importance in credit routine and that this is a phase that may well be explored further in order to develop the selling or promotional function of the credit manager to a fuller degree.

Ultimate Objectives

It has been our task to search for the component parts of the perfect interview and we have found that several factors appear as essential. The interview should have as its objectives the following:

1. It should continue the selling process.
2. It should be a search for the intangibles, the hidden values.
3. It should proceed in such a manner that each party to it will reflect that it was a pleasant event.

In our inquiry we have found that the interview will be conditioned by many factors, of which the following are examples:

1. The emotional state of each party to the interview.
2. The age, social standing, business standing, rank, sex, and the general physiological make-up of each.
3. The surroundings and general atmosphere.
4. The experience of each in such matters.
5. The temperature and the weather.

These we have discussed more or less in detail, and perhaps have so stimulated your thinking that you will discover many and more important factors. It remains only to justify the inclusion of the word "Art" in the title. One definition of "art" is the "application of knowledge or skill in effecting a desired result. An occupation or business requiring such knowledge or skill."

Certainly we want a desired result in our interviewing. Certainly the development of knowledge and skill is an important part of credit education.

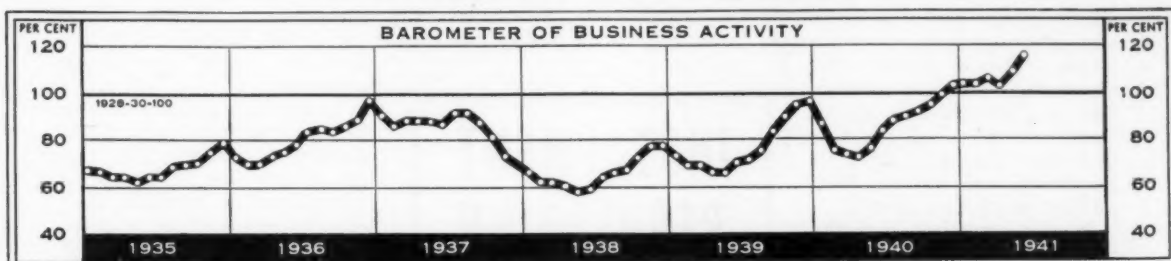
It is my fervent and optimistic wish that those who read this will be challenged to add to and to correct, if necessary, these assertions. The field of credit is widening daily and it is of such moment that the thinking of all, dedicated to improvement of self and the profession, is urgently needed. The decade ahead will see such things in business and human activity as we little dream of. Let us at least diligently and with open mind travel each side road, each path, in search of truth and improvement.

*Reading this magazine carefully
and regularly will contribute to
your success as a Credit Executive*

Current Business Conditions

The Barometer

As the country's capacity to produce moves steadily forward and employment continues to expand, labor shortages have appeared in many industries and the Barometer for July advanced to a new peak in the history of the country.



This barometer appears in the September issue of "Nation's Business," published by the United States Chamber of Commerce.

The Map

The upward trend of business activity which has prevailed during the first half of the year is continuing in the second half. Each week new advances are made and the rate is now around 30 per cent above even the high rate of a year ago.

Expansion has taken place in all parts of the United States and Canada, but the gains have been greatest throughout the East, the industrial regions around the Great Lakes, and along the Pacific Coast. Throughout most of the central regions the improvement in the volume of industry and trade has not been quite so great, even though in every district it is still above that of last year at this time.

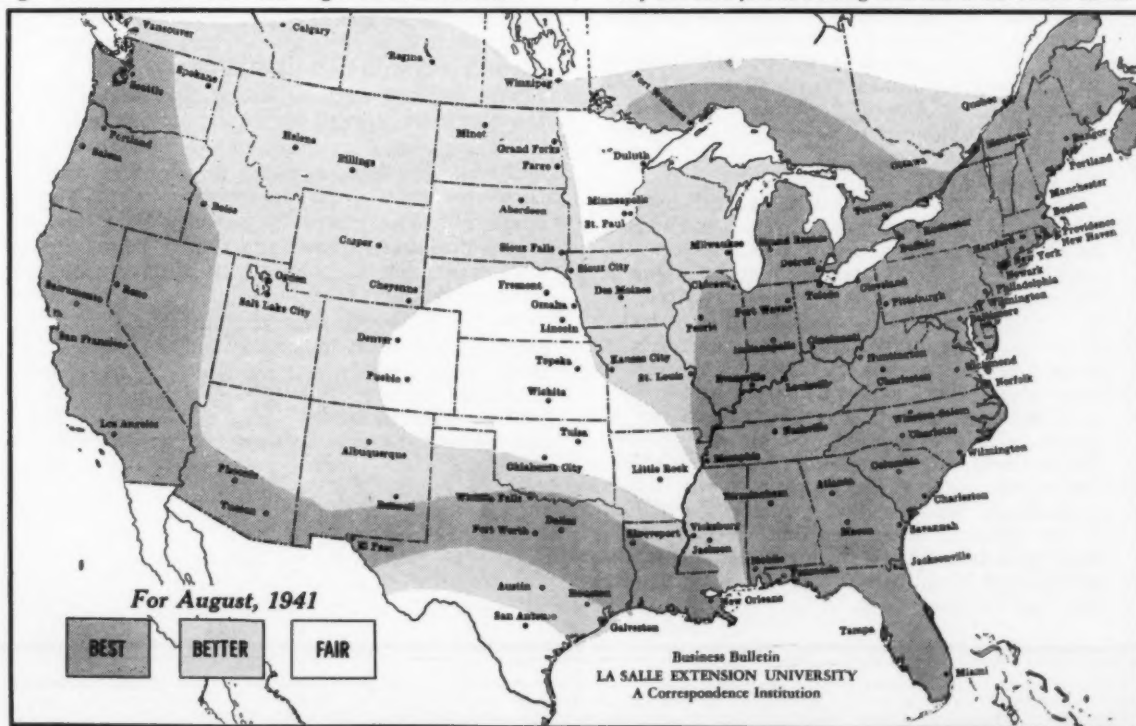
Throughout the Atlantic Coast states the great increase in shipbuilding and the larger foreign trade have further supplemented the demand from domestic buyers. The higher rate of operations in all branches of the textile industry, as well as in a number of smaller special lines, has helped maintain the larger volume of business in New England and in the South.

Conditions in the Middle West have steadily improved as farm income has been rising due to higher prices. Crop prospects are favorable, and farmers are expecting to have a substantially greater amount of money to spend during the coming year. This confidence has already been reflected in larger retail trade by merchants in farm communities as well as in the large cities.

Mining activity has also been increasing recently, although the expansion has not yet greatly stimulated business in the Mountain states. Demand for many minerals and metals is likely to speed up mining operations and to increase buying power in this territory.

Both trade and industry are expanding rapidly in all states along the West Coast. The increase during the last two months has been greatest in the South, although excellent progress has been made in the Pacific Northwest as well.

Throughout Canada, the advance in the rate of business activity has been just as striking as it has in the United States.



THE EDITOR'S PAGE

THE TENTATIVE REGULATION was discussed at a meeting held in the office of the Federal Reserve Board, Washington, August 15. Representatives of the nation's leading trade organizations and other business executives were given an opportunity to criticize and offer suggestions for changes in the Regulation. When issued, the regulations will put into effect an executive order of President Roosevelt directing the Federal Reserve Board to use World War powers to restrict credit.

In the opening remarks the Board's chairman, Mr. Marriner S. Eccles, explained that the purpose of the restriction is twofold: "To keep prices down by eliminating a portion of the present instalment buying and thus reduce the volume of purchasing power; and to curb the manufacture of products which eat up materials needed for the production of defense equipment."

Mr. Eccles stated further, "It is proposed in the initial regulations covering only a limited number of articles and applying only moderate terms, to lay a basis for such subsequent coverage and adjustment of terms as experience in this field and economic development may indicate to be necessary."

The enforcement date under consideration was September 1 and representatives of the National Retail Credit Association urged that the date be extended to September 15. Others joined in the recommendation and it is hoped the suggestion will be adopted.

It is unfortunate that the Federal Reserve meeting was called prior to the conference sponsored by National Retail Credit Association and scheduled for September 4 and 5. One of the major features of the agenda prepared for that conference was the consideration of terms to be observed for various items, according to their category, customarily sold on the instalment plan. The Regulation issued by the Federal Reserve Board covered the matter of terms, which were approved by all present. Under the circumstances, the further consideration of this issue would be of no avail. It has accordingly been decided to defer the calling of the Chicago conference until a later date, pending a trial period during which the workability and practicability of the new regulation may be determined.

It is most likely that irregularities will present themselves which may best be adjusted through discussion outside the offices of the Federal Reserve Board. In that event a meeting will be called and invitations extended to trade associations and executives of Finance Companies and others interested in credit from the national angle, previously contacted.

It was the opinion of the National Retail Credit Association Committee that the Regulation should apply to all classes of durable merchandise, regardless of character, sold on the instalment plan. We believe that in limiting the regulation to specific lines there was effected a certain discrimination which will cause trade dislocation. It is not practical to presume that the curtailment of consumer purchasing in certain durable lines only will insure the conservation of such funds as might have been expended for durable goods for the alternate purpose of purchasing Defense Stamps or Bonds. It is only natural

that unless the Regulation applies to every category of instalment selling the result will be that a favored few will take advantage of their fortunate position and promote most actively their lines of business which will operate unhampered with unrestricted terms.

The Federal Reserve Board proposed that the maximum spread on numerous characteristic instalment payments be fixed at 18 months, and that a minimum down payment of one-third be exacted on automobiles, airplanes, boats and motorcycles; 20 per cent on radios, mechanical refrigerators and similar household appliances, and 15 per cent on plumbing and air-conditioning units.

We invite expressions from merchants interested in this most important subject together with suggestions for our guidance. If deemed advisable by our committee, such suggestions will be referred to the Board of Governors of the Federal Reserve System for their consideration.

L. Howden

INSTALMENT REGULATION



Federal
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